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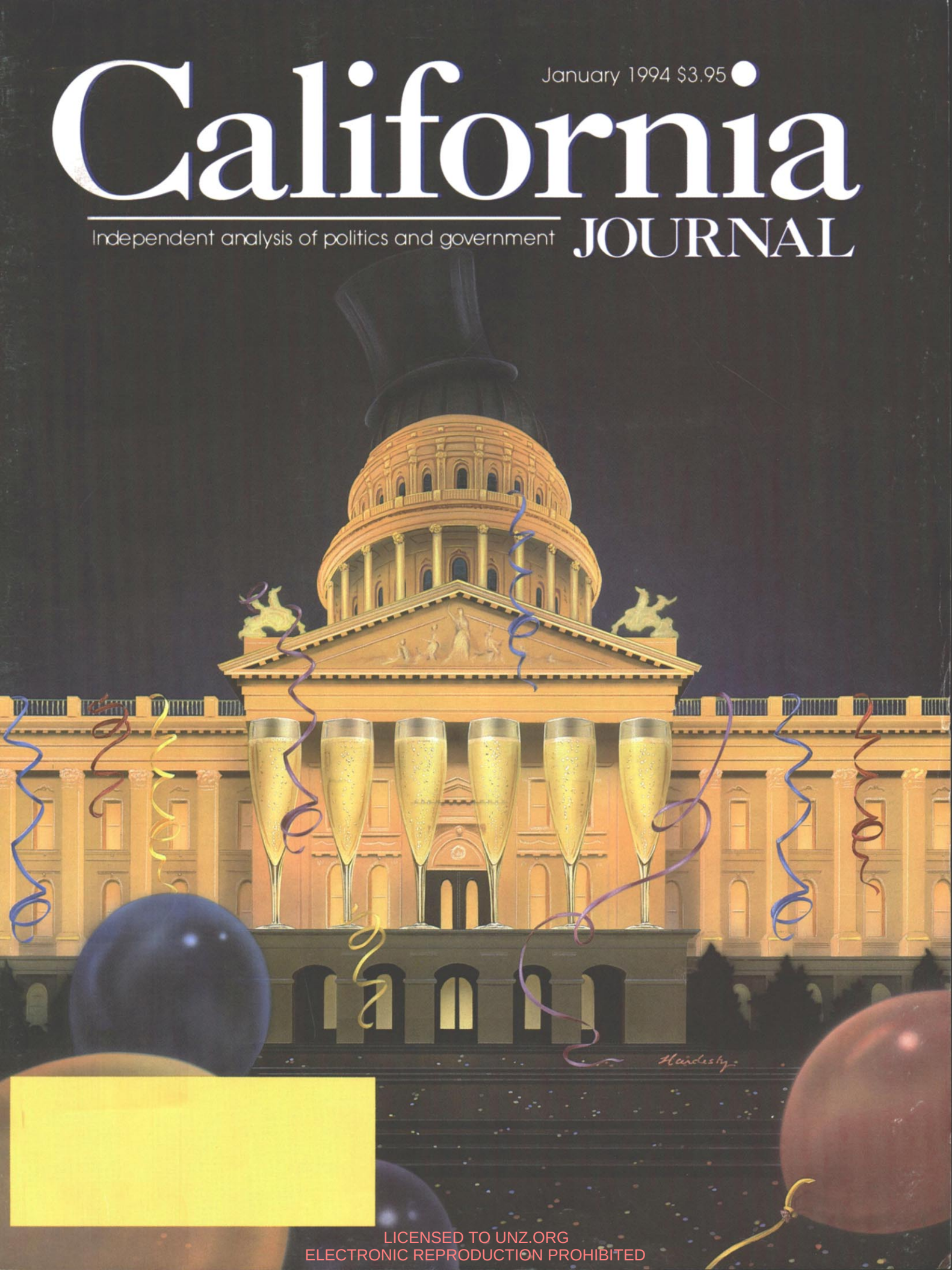
Independent analysis of politics and government



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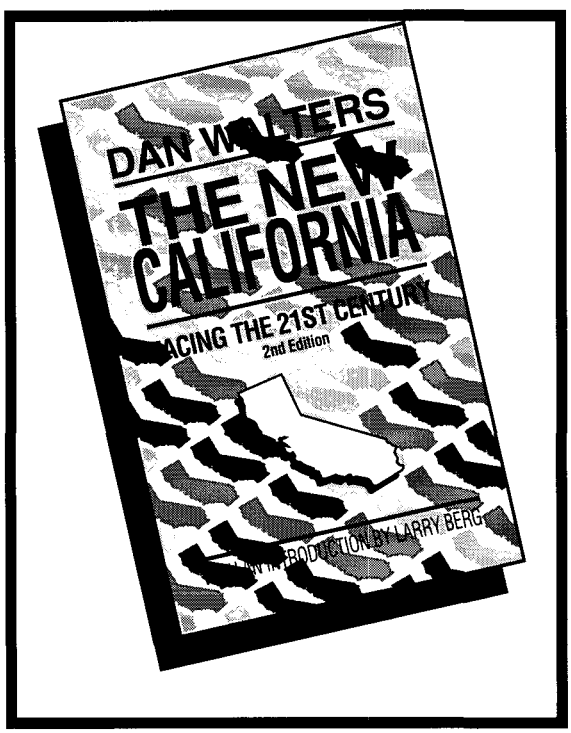

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VOLUME XXV, NUMBER 1

California JOURNAL

Independent analysis of politics and government

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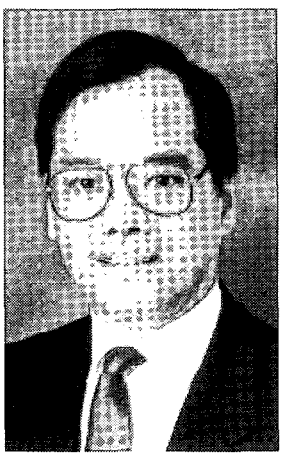

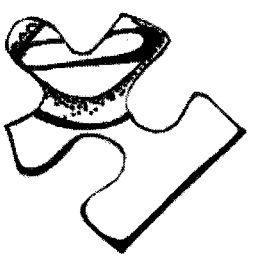

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Up Front

UMBRAGE

Blindsided. Is it just us, or was Governor Pete Wilson blindsided by the rice growers during the guv's November trip to Asia? While Wilson was scrambling for attention during his visit to Japan, one of the most significant pieces of news regarding Japanese trade with California hit the papers — Japan's decision to end its ban on the importation of rice. Did Pete make the announcement? No, it was made by the rice growers' association in Sacramento and apparently emanated from Switzerland, where American and Japanese negotiators are enmeshed in trade talks.

Dornan Dart MCXII. Good old Bob Dornan, bless him. Where would journalists be without him? The Orange County congressman drafted a letter last month to Secretary of Defense Les Aspin, asking Aspin to order that Rush Limbaugh's talk show be played over Armed Forces Radio. According to Dornan, men and women who serve in the armed forces are "truly outraged" that they can't tune in to the daily three-hour program. Turns out the demand is less than overwhelming. According to the Pentagon, less than 4 percent of the troops asked for any talk show. Not surprisingly, they want music and sports.

Glitz of the month. You can tell that John Seymour served in the U.S. Senate and had the federal budget to play with. Seymour now heads the California Housing Finance Agency, which recently issued its annual report for 1992-93. And it's a report worthy of some Fortune 500 corporation. There are 42 full-color photographs, including many of Seymour himself. And there's a separate publication, with the agency's audited financial statements, tucked into a flap in the inside back cover. We wonder if those audited statements reveal that the agency had too much money left over at the end of the year?

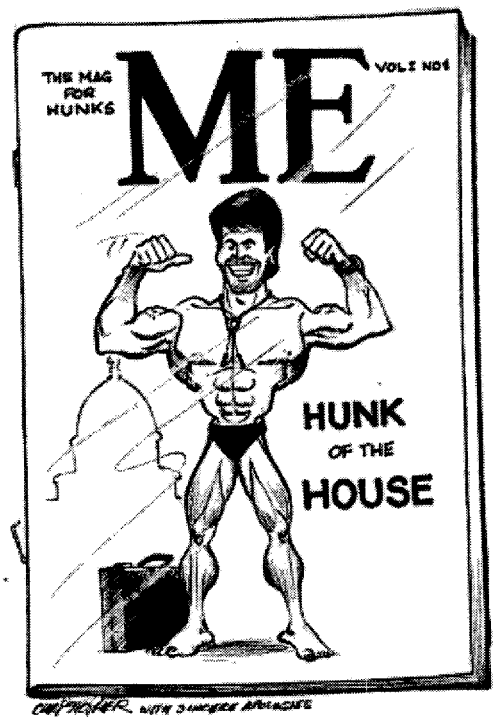

illustration by Christopher Van Overloop

Rusty redux? Back a number of years ago, Assemblyman Rusty Areias was named *Cosmopolitan* magazine's "hunk of the month." Now comes Democratic Congressman Dan Hamburg, frosh from Ukiah, who has been named one of Washington's sexiest people by *The Washingtonian* magazine. Hamburg, says the mag, is "hunk of the House." Also included on the "sexiest" list is Democrat Nancy Pelosi of San Francisco who, the mag says, looks great at age 53. And who sent us this info? Dan Hamburg, of course.

Congrats and phooey. Somewhere along the line, somebody reminded Democrat Gary Patton of Santa Cruz that he had not yet conceded to Republican Bruce McPherson in the Assembly District 27 special election run off, held November 2nd. So, Patton wrote McPherson a congratulatory letter, wishing his GOP foe the best of luck in Sacramento. Patton didn't stop there, however. For two more lengthy paragraphs, he thumped McPherson for the tone of the victor's campaign, which Patton characterized as "an embarrassment to you" because of "inflammatory personal attacks." Patton concluded that the tone of the campaign will "make it harder for people to take you seriously as a thoughftful and responsible person." Election '94, we are here.

Behavior defined. Columnist Martin Dyckman of the *St. Petersburg Times* in Florida finally has explained just why otherwise ordinary citizens become so addicted to the Legislature once they've become elected officeholders. "To politicians," Dyckman wrote recently, "making law is like making love. The longer it lasts, the more they enjoy it. The longer they procrastinate over controversial legislation, the more campaign money they'll raise from people with a stake in keeping them happy."

Pols will be pols. We're shocked ... *shocked* ... to learn through private sources that there's no free lunch in New Mexico. Not as shocked as the folks at Intel, however. You remember Intel, the computer-chip colossus that decided to build a new, $1-billion plant in Rio Rancho, New Mexico, rather than in Northern California? Intel's decision to locate in the Southwest was touted loud and often during last summer's legislative session as proof that California had a lousy business climate. New Mexico, it was said, was business friendly. New Mexico, it was said, laid one sweet deal on Intel — an offer the company couldn't refuse. Included in the deal was a promise that Intel would not have to pay any property taxes. Comes now word that somebody forgot to explain all the fine print. Like, forgot to mention that Intel *would* have

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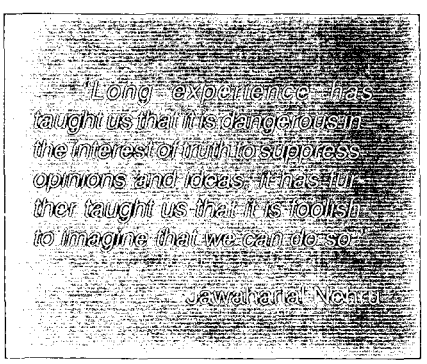
to pay an annual "fee" to help defray the costs of infrastructure. Intel agreed, saying publicly, "No big deal," although company officials would not divulge the actual amounts involved. "Next time, we'll just ask more detailed questions," Intel executive veep Robert Perlman yawned. To us, that "fee" sounds suspiciously like the tax Intel wasn't supposed to pay. Perhaps that's why Intel is said to be furious over this 11th-hour surprise package from New Mexico.

Thesaurus grazing. In recent remarks before Sacramento's Comstock Club, Democratic Treasurer and all-but-declared gubernatorial candidate Kathleen Brown argued that the state's schools need a strong dose of reform because they are in dismal shape. She then outlined specific proposals to effect that reform. But her opening criticism was taken by California Teachers' Association prexy Del Weber as a slam at his membership, and he promptly issued a broadside. In a memo sent to other CTA officials, Weber thumbed through his Thesaurus to find adjectives worthy of Brown: "repulsive, invidious, repugnant, despicable, ugly, revolting, base, gross, invidious [again], obnoxious and abhorrent." Brown's campaign pooh-poohed Weber's diatribe, pointing out that Weber is, after all, a Republican.


"Long experience has taught us that it is dangerous in the interest of truth to suppress opinions and ideas. It has further taught us that it is foolish to imagine that we can do so."
Jawaharlal Nehru

Come across a blurb lately that's nosy, newsy or smart-alecky about California government, politics or politicians? Share it with the Journal. *We pay up to $25 for entertaining tidbits published in "Up Front." So, rush your items to Up Front, 2101 K Street, Sacramento, CA 95816. Sorry, submissions cannot be returned.*

Rostrum

LETTERS

Gay politics

Your otherwise excellent article on gay politics (see *CJ*, November 1993) was somewhat off-the-mark when it came to discussing gay Republicans and the Republican Party. There are 10 Log Cabin Clubs in California in nine counties. Three clubs are chartered by their respective Republican county central committees. The first gay Republican club in the nation — Concerned Republicans for Individual Rights (CRIR) — was founded in San Francisco in August 1977. A month later, the forebearer of Log Cabin was founded in Los Angeles. Subsequently, Log Cabin Clubs were organized in San Diego, Orange County and elsewhere. In the late 1980s, all of the clubs statewide merged into the Log Cabin Federation.

Contrary to the statement in your article that Republicans "don't let us in the room," we are in the room and have a voice at the table. Several of our members are elective members of various Republican county central committees and are appointive members of the California Republican Party. Our member have served or are serving on the state party's executive, platform, resolutions and proxies and credentials committees.

Polling data suggests that 50 percent of the gay community nationally voted for George Bush in 1988 and that only 70 percent of that community voted for Clinton in 1992. In California, 35 to 40 percent of gays voted for Pete Wilson in 1990. Although only 8 percent of lesbians and gays in San Francisco are registered Republicans, that figure is much higher in West Hollywood and in places like Laguna Beach and San Diego.

All voting members of Log Cabin are registered Republicans, and although most of our members are lesbian, gay or bisexual, several of our members and officers are straight. We don't discriminate based on sexual orientation. Politically, we run the gamut from moderate Republican to Goldwater-Reagan conservative. Most liberal Republicans, unfortunately, both gay and straight, have left the party over the past 12 years.

In San Francisco, although not statewide, our membership has declined in the past decade due to many members dying of AIDS and other former members leaving the Republican Party. Those who left the party did so because many actions by former Governor George Deukmejian were viewed as homophobic and because of the rantings of Jesse Helms, John Doolittle and Bill Dannemeyer. Fortunately, those individuals are no more representative of the live-and-let-live attitude of most Republican voters than are Sam Nunn, John Glenn, Ike Skelton and Richard Gephardt representative of most Democratic voters.

For those of us who remain in the party of Lincoln, we can point to the courageous stands and the commitment to basic Republican principles taken by Barry Goldwater, Alphonse D'Amato, William Weld, Tom Campbell, Becky Morgan and the late Bill Filante as reason enough to continue our fight in coalition with others within our party against the inroads of the Religious Right.

CHRISTOPHER L. BOWMAN
San Francisco

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Two Cents Worth

COMMENTARY

Score one for the liberal press

Well, it's over. The North American Free Trade Agreement is now law, and the phrase "NAFTA" has enjoyed its 15-minutes of fame as the latest "crisis in the Clinton presidency." As a member of the Secret Society of Nattering Nabobs of Negativism, I couldn't be happier. About the NAFTA vote itself? Well, not really. I mean, sure it's a good idea and all. How else are the people of Mexico to know what *real* Mexican food is like if we can't send them Taco Bells? On the other hand, when you get right down to it, the passions on both sides went a little off the charts, given NAFTA's relatively modest impact on jobs. No, what really has all us lockstep press libs humming "The Internationale" these days is the public unraveling of the Ross Perot "mystique" and the subsequent opportunity to utter four simple words.

We told you so.

First, a definition. By "liberal press," I'm not talking about that small army of pundits, columnists and other Coneheads that crowd into the idiot box every Sunday morning. No, the people I'm referring to are that less-heralded group of business, political, and investigative reporters who committed the unpardonable sin of telling the truth about Ross the Boss.

Think back to the spring of 1992. Ross Perot was riding high — a cracker-barrel Cassandra who gave disaffected voters in both parties a place to park their frustrations. He polled ahead of both Bill Clinton and George Bush in California, and the morning talk shows held a contest to see which of them could give him the most air time.

Then, news stories started to appear. Investigative reports started detailing how extensively Perot had lined his pockets with the very pork against which he was now so valiantly toiling. They also discovered that the old lobbyist-basher had hired a lobbyist or two himself in his time. Business reporters let it be known this guy had an ego bigger than his state, and a streak of paranoia. Political writers suggested that the cooing softballs thrown by the likes of Katie Couric and Larry King were no substitute for a legitimate exchange of issues with people who cover those issues on a daily basis.

Perot's first response to this scrutiny, you may recall, was to throw a hissy fit. Muttering something about his daughter's wedding, he dropped out of the presidential race. When he re-entered in the fall, Perot dodged the press and talked only to sycophants, King and the guys working the cameras on his snappish network infomercials. Free of the burden of actually answering for his rhetoric, Perot snagged 19 percent of the vote — enough to encourage him to start picking fights with President Clinton as he had before with President Bush.

When Perot started his crusade against NAFTA, the "liberal press" again indulged their ridiculous vanity of verifying the actual facts behind Perot's harangues. It turns out that some of the things ol' Ross was saying about NAFTA didn't even pass the giggle test. "The people are with me," was all he had to say. By this time, the Conehead crowd had joined the bandwagon, declaring Perot the victor over NAFTA and denouncing Vice President Al Gore's debate challenge to Perot as an act of desperation.

Well, I don't need to tell you what happened. Perot got his ears boxed by Gore (not an insignificant feat, when you stop to think about it) and Clinton came away with a big win. In the process, the nation got to see what happens when an "intellectual sociopath" (George Will's words, not mine) is forced to confront the consequences of his rhetoric. Those of us who cover politics didn't need to be told. We'd been the ones doing the telling.

Of course, anyone with a billion or so at hand can afford to have many rebirths, and it is likely Perot will eventually rebuild his image with the help of all those morning chat shows. Sooner or later, however, the "billionaire populist" will again be chop-blocked by his own ego and carelessness with the facts. Speaking for my colleagues in the "liberal press," I only offer this.

Remember where you heard it first.

—Steve Scott

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The race for treasurer

Claiming the Unruh legacy

By Steve Scott

When California's legendary "Big Daddy," Jesse Unruh, died in 1987, newspapers and airwaves were full of eulogies about Unruh's brilliance as a statesman and a politician. Loving tributes from former legislators and editorial writers compared Unruh favorably to the current generation of politicians because of his willingness to use raw power for concrete policy objectives. Most of these testimonials centered on Unruh's impact on the institution in which he began his career — the California Legislature. However, Unruh's more lasting impact may have been on the office in which his career ended — state treasurer. In the years between his election as treasurer in 1974 and his death in 1987, Unruh transformed a political backwater into powerful vehicle for shaping policy, and for raising campaign money. After only one term as treasurer in the post-Unruh era, Kathleen Brown is already positioned politically and financially to challenge an incumbent governor.

Few things underscore the new attraction of the treasurer's office better than the machinations surrounding the coming year's race for the job. Two relative newcomers viewed as their respective parties' rising stars chose treasurer among all the open constitutional offices to move into statewide politics. Meanwhile, an even bigger fish continues to flirt tantalizingly with a run for the office, creating the prospect of the nastiest Democratic primary outside the race for governor.

The big fish is Senate President pro Tempore David Roberti. Like Unruh, Roberti is a veteran of the legislative wars: 27 years in Sacramento, including 13 years as the top dog in the state Senate. Roberti seemed very definite last September when he announced at a state Capitol news conference that he would run for treasurer.

"I intend to run, and I intend to win," Roberti said confidently.

For Roberti, it's up or out, as he carries the distinction of being the first legislator to be involuntarily jettisoned by term-limits. His decision to seek the treasurer's job was, he says, a direct outgrowth of his involvement in budget negotiations as leader of the Senate.

As Unruh did when he ran for treasurer in 1974, Roberti brings with him to the campaign a powerful fund-raising reputation and a number of political "chits." Since succeeding Jim Mills as pro tem in 1981, Roberti has kept the Democrats in control of the Senate. While less flashy than Unruh — or his current Assembly counterpart, Willie Brown

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Angelides and friends in the spotlight in 1992

Matt Fong and Mom at the Air Force Academy

Jr. — Roberti has demonstrated considerable political skill. Like any veteran politician, however, he carries the ironic stigma of being a longtime public servant in an era when public servants are viewed with suspicion. Although never personally accused of scandal or wrongdoing while in office, Roberti did elevate to leadership positions three senators who were eventually convicted on corruption charges: Paul Carpenter, Joseph Montoya, and Alan Robbins. Robbins and Carpenter recently were key participants in a messy corruption trial in federal court in Sacramento, where the underbelly workings of a Roberti-led Senate once again were laid before the public (see story, page 27). Robbins was the star witness in that trial; Carpenter, defendant.

With a lot to consider, Roberti worked hard on the fund-raising circuit throughout November and into December. But he also conceded he had been approached by Gallo about the possibility of taking over its government affairs office. While he insisted the Gallo offer hadn't changed his mind, another opportunity popped into view in early December when veteran Los Angeles County Supervisor Ed Edelman announced he would not run for re-election next year. Edelman's district overlaps large portions of Roberti's pre- and post-reapportionment Senate districts. Perhaps more important, Roberti has been getting some uncharacteristically good press in the district lately, thanks to his championing the breakup of the Los Angeles Unified School District.

Another consideration in all of this is the leadership situation in the Senate. With term-limits set to claim him in 1994 regardless, Roberti's power in the Senate was already ebbing. By most accounts, Hayward Senator Bill Lockyer appears to have the votes lined up to win election as the next pro tem. Thus, the only question was whether Roberti would go quietly. If the campaign for treasurer becomes official, so will the leadership change.

"When I absolutely give you an absolute aye, I expect there will be a transition," Roberti told reporters, referring to Lockyer's ascension as pro tem.

If Roberti chooses to remain in the race, his entry will doubtless send powerful ripples through the Democratic party as it sets its lineup for 1994. And the man standing closest to those ripples is last year's hero, Phil Angelides.

Angelides finds himself in much the same position as did another Democratic workhorse in the 1974 treasurer's race. A long-time apparatchik named Gray Davis was all clear to run for treasurer that year, only to be swept aside at the last minute by Unruh's entry into the race. While Roberti is far less well-known in the state than Unruh was, he still has broader name recognition than the former party chair, especially in vote-rich Southern California.

For Angelides, the challenge is to show a statewide audience that he is more than just a Democratic rah-rah. Born of Greek ancestry, the 43-year-old Angelides first made his name in Governor Jerry Brown administration, in the state Department of Housing and Community Development. He toiled in various capacities until 1983, when he says he "looked around and saw a lot of people who'd stayed too long." Angelides left the Capitol for the lucrative world of

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real-estate development. His Sacramento County development, Laguna West, earned national recognition for its emphasis on a more community feel, with smaller streets and houses with front porches.

Angelides returned to politics in 1988, as a Northern California organizer for presidential contender Michael Dukakis, then stepped in as chair of the California Democratic Party in 1991, when ex-Governor Jerry Brown cast his eye toward the presidency. As the state party's "Golden Boy," Angelides' aggressiveness, fund-raising skill, and grass-roots organizational ability helped Bill Clinton claim the first Democratic presidential win in California since Lyndon Johnson in 1964. Along the way, his party apparatus helped just about every Democrat on the ballot with Clinton, including U.S. senatorial candidates Dianne Feinstein and Barbara Boxer.

Armed with a basket full of "chits" and his own distinct fund-raising base in the Greek-American community, Angelides began putting his skills to work on his own behalf before the strains of Clinton's saxophone had died down from the victory parties. At first, his target was the lieutenant governor's job, and everywhere he went Angelides waxed poetic about the prospect of serving alongside a Governor Kathleen Brown. But then Controller Gray Davis decided *he* wanted to be lieutenant governor, so Angelides shifted over to treasurer. When Roberti first talked about entering the race, he joked about the switch, saying he didn't "want to say too much about Mr. Angelides because I don't know what he'll be running for in February." Angelides insists treasurer is what he really wanted all along.

"The only thing that makes it worth it to travel around the state for a year ... is to have four or eight years in a position that I truly enjoy," he says. "I came to the conclusion that treasurer is it."

Indecision aside, few question the political wisdom of the move. Running against Davis would have been an uphill climb, despite Davis' own tarnished image within the party. As a candidate for treasurer, on the other hand, Angelides has already amassed an impressive string of endorsements from Boxer and Feinstein on down. Despite some discomfort among the few state senators who endorsed him, all have stayed despite Roberti's initial foray into the contest. Moreover, Angelides can count on nearly unanimous support among pro-choice groups, given Roberti's opposition to abortion rights. The Hollywood Women's Political Committee has already given him $10,000. Like all candidates regardless of their tenure, Angelides seeks to portray himself as an "outsider," notwithstanding his status as a Democratic Party kingmaker.

"I've been on the 'nuts and bolts' side...I'm a [tax] payer," says Angelides. "Unless you've been on that end, you don't appreciate how risks are taken, and how to get things done." As for the prospect of a primary battle with Roberti, Angelides is confident. "I'm not leaving my company because I've got term limits," he snipes.

Watching all the Democrats' tribulations from a safe distance is Matthew Fong, the 30-year-old Republican who currently stands unopposed in the GOP primary. Like both Roberti and Angelides, Fong boasts a high profile within his party, and has access to a strong fund-raising base. But Matt Fong also has one advantage neither of his two prospective opponents have: For Fong, politics is the family business.

Fong is the adopted son of March Fong Eu, California's secretary of state for the last 18 years. Eu, who divorced Fong's adoptive father Chester Fong in 1970, is one of the state's most popular Democratic elected officials in the state, and young Matt cut his teeth in politics running his mom's 1982 campaign. But you know kids, these days; they're so rebellious. A stretch in the Air Force made him a defense hawk, then stints as a business comptroller and the head of his own law firm followed and before he knew it, Matt Fong decided to become a Republican. "I was comfortable with my decision," he recalls, "but I still had to face my mother." Fong says he broke the news not in a "mom-guess-what" kind of confrontation, but rather in a series of conversations over a couple of months. "Maybe if I'd stayed a Democrat, I would have gotten her endorsement," he jokes.

Fong's mom was not the only one suspicious of the move. He concedes he faced a lot of resistance from the GOP inner circle when he tried to become active in party politics. Much of that suspicion was present when Fong took his shot at elective office in the 1990 controller's race. "Some people were upset because I would not endorse my mother's opponent [Joan Milke Flores]," notes Fong. "I said, 'Give me a break, that's my mother.'"

Whatever the rest of the party had to say about Fong, however, Pete Wilson was satisfied he was a true-blue Republican. Not long after Fong was defeated by Gray Davis, Wilson appointed him to the state Board of Equalization when Democrat Paul Carpenter was forced to resign after being convicted on political corruption. Since joining the board, Fong has been spending a lot of time building his resume and limbering up for another shot at statewide office.

With his bona fides in the party secure, Fong's family name and political background make him, in the words of one consultant, "one of the few solid players on the Republican bench." He also can handle himself in the fund-raising area, having raised $1.2 million in his unsuccessful 1990 bid for controller.

"He'll have a big fund-raising advantage in that he's Asian," notes consultant Ray McNally. "He'll raise money nationwide."

The prospect of a contested Democratic primary brings a smile to Fong and his handlers, who would doubtless have been more worried about a straight-up contest with either Angelides or Roberti. Fong considers Roberti very beatable, chiding him as "a 30-year career politician with a track record of wanting more and more government." As for Angelides, Fong says the former Democratic chair is just another ambitious politician.

"He raised over a million dollars, but it was to be lieutenant governor," notes Fong. "I don't know what his vision is to be treasurer."

In response, Angelides suggests that it is Fong who will have to prove he has a vision that extends beyond politics. "The question I have is, 'Who is Matt Fong and what has he done?'" says Angelides. "He starts to me as a blank slate ... a name and that's it."

Whatever Roberti ultimately decides, it's clear the treasurer's race will be every bit as much a battleground as it was four years ago. Two or three power politicians will be duking it out for a job that once was considered ministerial at best. Huge bankrolls will be raised, charges will fly, and mud will be slung.

Jesse would have been proud.

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The race for superintendent

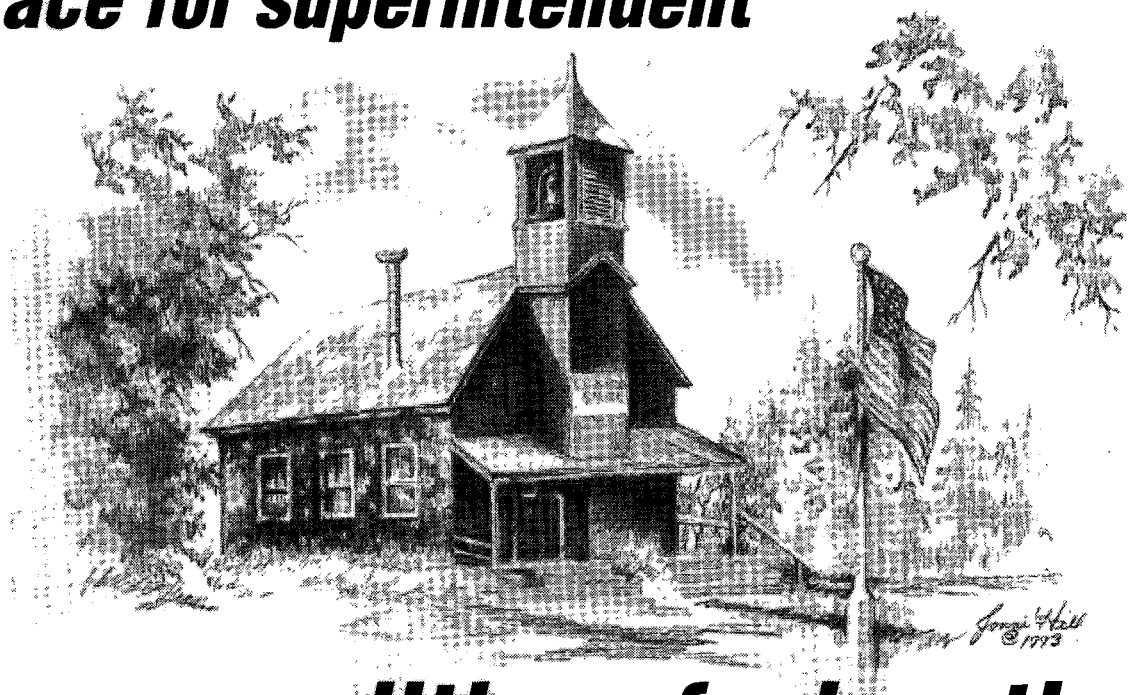

Illustration by Jonni Hill

The new politics of education

By Laura A. Locke

In the aftermath of Proposition 174, the contentious and very expensive school voucher initiative, education has been hovering near the top of the political agenda. On the surface, state leaders are promising to heed the public's concerns regarding the decline of public education, dismiss political differences and seriously reform the state's public schools. Underneath, they seem to have primed the education battleground just in time for the 1994 election season.

The focus of that battle likely will be the race for superintendent of public instruction.

The non-partisan superintendent's job is a four-year term to direct the state's $24-billion Department of Education. The superintendent oversees and manages almost 2500 employees and has broad authority over curriculum. The superintendent's influence, however, recently was diminished by a court decision that turns education policy-making authority over to the eight-member state board of education, which is appointed by the governor. Nevertheless, the superintendent isn't entirely without influence. The job provides a bully pulpit on education issues, and the superintendent is the main spokesperson for the state's schools and school children.

Currently, there is no incumbent because former Superintendent Bill Honig was forced to leave after being convicted on felony conflict-of-interest charges in February 1992. Governor Pete Wilson tried to replace Honig with GOP Senator Marian Bergeson of Newport Beach, but her nomination was squashed by the Assembly. Wilson's new nominee, Sanford Sigoloff, said he will not run for the post in 1994.

Only a year ago, three candidates were eager to succeed Honig: Democratic Assemblywoman Delaine Eastin of Fremont; and two senators, Democrat Gary Hart of Santa Barbara and Republican Becky Morgan of Menlo Park. That potential field narrowed, however, when Hart and Morgan decided not to run for the office.

Eastin's interest has been well-known ever since Honig landed in legal hot water, and her unofficial campaign may have been launched during the Bergeson confirmation hearings. Faced with a potential competitor in Bergeson, Eastin excoriated the Newport Beach lawmaker over her educational philosophy and personal views regarding creationism, among other issues. Critics blasted Eastin for using the hearings as a campaign platform, while her boosters said she was just doing her job as chairwoman of the Assembly Education Committee. Now that the full campaign is upon her, Eastin said she will be low-key during the debate over Sigoloff's nomination.

Eastin formally announced her intention to run the last week in November. Thus far, the 46-year-old lawmaker is the lone declared candidate, although several challengers are said to be mulling over the race. The same week Eastin formally announced, she was said to be stunned to learn that another Democrat might join her on the slate of candidates —Tom McEnery, the charismatic former mayor of San Jose.

McEnery said he hasn't made a firm decision yet. At this stage, he's focusing on "what difference I could make and what needs to be done." McEnery boasts that he is "well convinced" of his electability and foresees "no significant political obstacles." This seems to indicate that he doesn't consider Eastin a political threat, which could be shouting into the wind for a former Northern California mayor whose name barely registers with the public outside the Bay Area. McEnery said he's received en-

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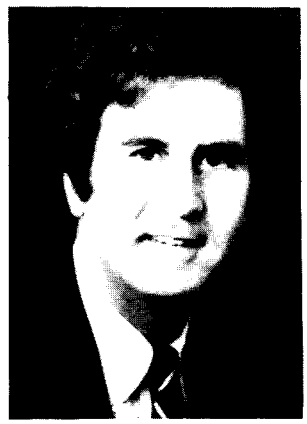
Peter Mehas

Delaine Eastin



Tom McEnery

couragement from educators, business and individuals, although he won't divulge specifics. Although he hasn't formed an exploratory committee, he said he's lined up $300,000 in campaign contribution commitments. McEnery, though, has strong ties to Silicon Valley business leaders — some of whom have pushed hard for education reforms — and they could be a formidable source of campaign money for an office that typically attracts little interest from big-money givers.

Even if McEnery's confidence is misplaced bravado, his challenge could pose problems for Eastin's bid to win the job outright in June. If no candidate receives 50 percent of the June vote, the top two vote-getters would engage in a November run-off. If McEnery were to get in the race, he will run with the serious expectation that he would win the primary, said a McEnery aide. But that is a long haul for someone who has never campaigned for votes outside of San Jose *and* who has no track record in education.

Another candidate contemplating the race is Peter Mehas, superintendent of the Fresno school system. Mehas is a Republican who served as education adviser to former Governor George Deukmejian and as a member of the State Board of Education. Mehas actively sought Wilson's nomination for superintendent after Honig resigned. But Mehas admitted that his interest in the post cooled after Wilson bypassed him in favor of first Bergeson, then Sigoloff. "I was more enthusiastic when there was the possibility of the appointment ... although I'm not totally ruling it out," he said.

Mehas said a bi-partisan state-wide task force made up of 15 business leaders, public officials and educators currently is determining whether he is electable. He will make a formal announcement later this month. Although conceding Eastin the role of front-runner, Mehas said his 30 years' work in education qualifies him for the job. He's worked as a teacher, principal and superintendent, which Mehas thinks gives him a unique perspective on the job. He adheres to the conviction that the job should go to someone who has taught, run a school and a school district.

In terms of electability, Mehas has the same problems as McEnery and, to some degree, as Eastin. None is well known to the voting public beyond the limits of a district or city. And Mehas has the added disadvantage of hailing from the Central Valley, generally regarded as an electoral backwater when it comes to running for statewide office. Mehas offered no thoughts on his ability to transcend to the statewide stage.

Eastin, at this point, is regarded as the front-runner, thanks in part to past support given to her by the California Teachers Association. The election is "hands-down Delaine Eastin's to lose," said Roberta Weintraub, a former chairwoman of the Los Angeles Unified School District who also served 14 years on the State Board of Education. Weintraub characterized Eastin as "truly dedicated to education" and as "aggressive" and "dynamic."

Eastin is expected to receive the support of the CTA, which was the main financial and emotional force behind the effort to derail Proposition 174 and traditionally a supporter of all things Democratic. The CTA is the one powerful interest group that, at least potentially, has a direct stake in who wins the superintendent's post. The group has money to spend on this campaign and volunteers to mobilize. At this point, it looks like that support will go to Eastin. This, despite the fact that CTA's Republican president, Del Weber, took a shot at Eastin and other Democrats in a November memo that was leaked to the press: "I believe it is time for Delaine Eastin to stop being the captain of the Titanic and start learning how to help repair and steer the boat," Weber wrote.

Eastin dismisses the notion that Weber's memo indicates any crack in her support by CTA. "It is true that I have disagreed with the CTA on issues, but I will actively seek Del's support and the support of all the teachers ... and I hope to get it," she said.

To date, CTA is deliberately mum on its endorsement in the superinten-dent's race. It will leave the decision to its 800-member state council, which will meet in March to decide which candidate to endorse, said a CTA spokesperson. "The teacher's have to decide for themselves," said the spokesperson, who declined to speculate on an endorsement but did say, "Delaine has been very good for education, and has received high marks on our report card."

Those who are *not* Delaine Eastin, and thus have not earned chits with the organization by carrying its water in the Legislature, pooh-pooh the value of a CTA endorsement. Mehas points out that the three past superintendents — Max Rafferty, Wilson Riles and Bill Honig — all won without support of the CTA in their first campaigns.

Eastin has hired Cliff Staton, of the San Francisco firm Staton/Hughes, as her campaign strategist. Staton helped direct Democrat Anna Eshoo's successful congressional campaign in 1992. Eastin says she plans to be "in the trenches" campaigning around the state, and trying to boost her name recognition — especially in Southern California.

"Nobody in the state knows her except people in her own district," said GOP consultant Ray McNally. "She hasn't done anything that startling other than the fact that she chairs Assembly Education, and that cuts both ways. The schools are a mess, does she assume responsibility for that?"

Eastin points out that she has the support of key Democratic legislators from the southern part of the state to help boost her name recognition: Tom Hayden, Richard Katz, Gwen Moore and Marguerite Archie-Hudson. Other endorsements come from national politicians and educators from across the state, like Eshoo, U.S. Senator Barbara Boxer and UCLA's associate dean of education. Moreover, her Southern California co-chair is Jerry Katzman, presi-

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dent of the Beverly Hills-based mega-talent agency William Morris. Her Northern California co-chair is Bill Tauscher, the founder of Computerland.

To run a feasible statewide race, candidates need to raise at least $2 million, and Staton is confident Eastin can raise at least that much, especially if the CTA opens its sizeable coffers to her. She's accumulated $300,000 to date. But Staton noted that fund raising and the tenor of her media campaign will depend on who materializes as opposition.

Eastin officially launched her campaign with a statewide blitz that included speeches at public-school venues in San Francisco, San Diego, Los Angeles, Santa Barbara and Sacramento. She also used that tour to mend some fences with the CTA. In the wake of the school-voucher initiative, she said she is eager to reroute the public school discussion from one of blame to a more constructive dialogue.

"Many people think they can change the schools by assigning blame for past failures," Eastin said. "They blame teachers for not working hard enough. They blame administrators for wasting money. They blame children for watching too much TV. I believe we must reward what's right, not assign blame for what's wrong."

In the past, a hefty share of that blame was directed at the CTA and the perception that the teachers' union has been a roadblock to reform. The tone of Eastin's remarks, to some observers, was an indication that the Fremont Democrat already is rebuilding bridges to the CTA following Weber's critical broadsides last November.

Another theme emerged from Eastin's opening series of speeches — the notion that she is "of the people." A machinist's daughter, she came from modest roots and went on to become the first member of her family to attend college and graduate from the University of California system.

As chair of Assembly Education for the past three years, Eastin has been a vociferous proponent of increased school financing, a reduced bureaucracy and educational technology. She will continue pushing those issues, as well as safe schools, new educational opportunities for non-college bound kids and more local control.

Eastin, however, has her detractors. "She's a very good public speaker, she's a salesperson, but in terms of record, she's never worked for a school district, she's never passed any legislation of any consequence. Her record is really pretty modest. The strength she brings is her personality and her moxie," said one veteran lawmaker.

While Eastin begins her campaign trek, and McEnery and Mehas contemplate joining her along the trail, few others have expressed interest in the job. One lawmaker said that potential Republican candidates were put off the scent because Wilson took so long to nominate a Honig successor after Bergeson was rejected. It put credible GOP candidates at a disadvantage if they weren't the choice of their own party's governor, the lawmaker said.

Moreover, "until this year, this office has always been an educator's office. ...There has never been a politician who has run for it." The situation has changed, said the lawmaker, because education has become much more of a partisan issue and it costs more to run. "Educators are saying that it's not worth it," the lawmaker said.

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Potential candidates for statewide office 1994

(declared, undeclared and speculative)

Governor:

Pete Wilson (R)

John Garamendi (D)

Kathleen Brown (D)

Treasurer

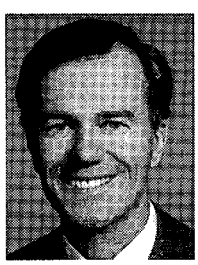
Phil Angelides (D)

David Roberti (D)

Matt Fong (R)

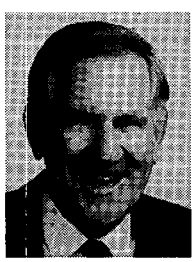
U.S. Senate

Dianne Feinstein (D)



Michael Huffington (R)

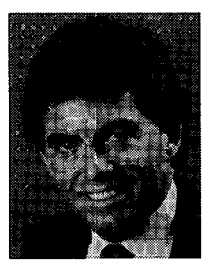
Bay Buchanan (R)



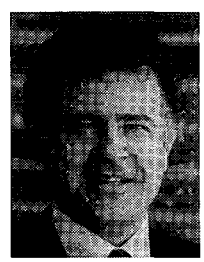
Bill Dannemeyer (R)

Kathleen Squires (R)

Controller

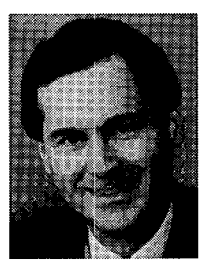


Rusty Areias (D)

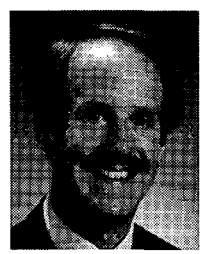


Don Perata (D)

Brad Sherman (D)



Tom McClintock (R)



Frank Riggs (R)

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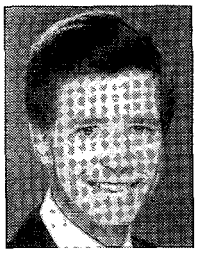
Lt. Governor



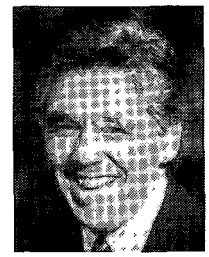
Gray Davis (D)

Sonny Bono (R)

Stan Statham (R)

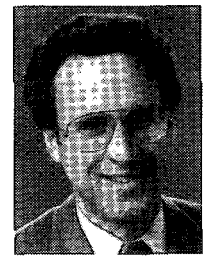
Cathie Wright (R)

Insurance Commissioner

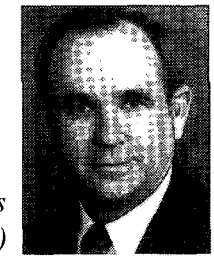


Art Torres (D)

Chuck Quackenbush (R)



Burt Margolin (D)



Wes Bannister (R)

Attorney General

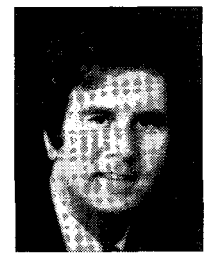
Dan Lungren (R)

Tom Umberg (D)

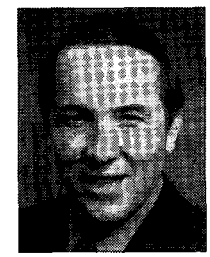
Arlo Smith (D)

Supt. of Public Instruction

Delaine Eastin



Tom McEnery



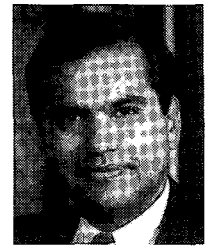
Peter Mehas

Secretary of State

Tony Miller (D)

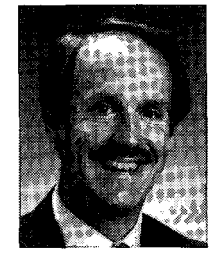
Jackie Speier (D)

Gwen Moore (D)



Gaddi Vasquez (R)

Mike Woo (D)



Frank Riggs (R)

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The Bottom Line

GOVERNMENT FINANCE

By Susan Rasky

A tiny bright spot?

As California moves into its fourth year of recession, there is, maybe, a tiny bright spot in the otherwise bleak picture of the state's economy. No, not the fluttering up of some important indicator like wage and salary employment or new housing permits, but the fact that the economic forecasters themselves have begun to twitch.

Think of twitching as a sort of pre-leading economic indicator, a response to the extra uncertainty that always accompanies forecasting, a transition from recession to recovery (or, in California's case, from sliding downward to bumping along the bottom). When the folks whose livelihoods and reputations rest on their prognosticating skills start to talk about gut instincts and anecdotal evidence of economic movement that doesn't quite jibe with the numerical data, it's a sign that the turning point may finally be approaching.

The forecasting consensus now projects California's turning point somewhere in the second half of 1994. While that implies that things will be getting better, it hardly means they will be getting good. Even the most optimistic forecasters do not look for any measureable economic recovery until 1995, and most see that recovery as a halting, limping crawl from the bottom with plenty of risks and dangers for backsliding along the way.

It is the uncertainty, perhaps more than the delayed and anaemic recovery, that promises once again to play havoc with California's budget. The forecast that underlies the spending plan Governor Pete Wilson will present to the Legislature early this month was made, by necessity, in late November 1993. Even without any partisan number-wrangling or election-year smoke and mirrors, it's a safe bet that critical estimates for revenues and the deficit could swing by several billion dollars between now and the May economic revisions.

"The real issue is that we don't know what's going to happen six months ahead," said Stephen Levy, director of the Center for the Continuing Study of the California Economy. "The dilemma for California is that operationally we have an economy that's much more like a nation than a state. We have accumulated problems that require multi-year solutions, but we always end up chasing our tails."

Two factors make the 1994 forecasting even more complicated than usual. First, key data — most notably, employment figures — seem to have gone a little haywire. Frank Neuhauser, an economist at UC-Berkeley's Graduate School of Public Policy, worries about a large and so far unexplained increase in the number of Californians who described themselves as "self employed" in job figures released in November. He suspects that some of those people may in fact be referring to marginal home businesses that would quickly be abandoned if more substantial work were available.

"The difficulty for forecasting is that people who are describing themselves as self-employed are not necessarily participating in an economic turnaround," Neuhouser said.

A second complication is that industries that traditionally lead the state out of recession are now so depressed or are undergoing such major restructuring that economists have lost once-reliable gauges for charting economic growth. The construction industry, for example, seems unlikely to provide any sort of strength to a fledgling recovery.

"Housing starts have been below 100,000 for each of the past three years, and we're still not sure we'll break that for 1993," said Cliff Allenby, senior staff vice president for government relations at the California Building Industry Association. If and when real recovery occurs, Allenby observes, builders will be concentrating on higher-density developments and smaller units.

David Hensley, former director of the UCLA Business Forecasting Project and now a vice president for real-estate research at Salomon Brothers in New York, says the major problem for construction seems to be the loss of domestic migration to California. "Basically, what we're talking about is something like 115,000 houses a year that we're not building because we don't need them," he said.

So Hensley looks for the glimmering of a recovery elsewhere — in the figures on housing prices in Southern California and a pause in large-scale layoffs in the defense industry.

"I have a gut feeling the state may hit bottom sooner than people think, maybe late spring or summer," Hensley said. "I think most of the big defense layoffs have happened, and while we've got more base closings and the winding down of work on the B-2 bomber in 1995, 1994 could be a quiet year."

That breathing space, Hensley says, could be enough to start a recovery provided the prices of higher-end homes in Southern California stop declining. "It hasn't happened yet, but if I'm right and people begin to feel that the California coast looks good again, that their housing investments are stabilizing, then I think you have a recovery story there."

Tapan Munroe, chief economist for PG&E, is looking at the more-traditional measure of recovery, job growth. There are signs of a pick-up already in the Central Valley, he says, and the promise of improvement in the Bay Area early in 1994. But in the key region of Southern California, the job picture remains bleak until the beginning of 1995.

"This is not another business cycle," Munroe said. "Some of the jobs are not going to come back. The downsizing is real."

Munroe worries most about the permanent loss of mid-level jobs and what he describes as a troubling lack of strategy from both the Clinton administration and state political leaders about how to generate them. "Nationally, there seems to be a feeling that if it's high tech, it must be good," he said. "What we need to be talking about is how to use that high technology in low-tech industries, say health care or furniture-making. No attention is being paid to that."

Both Hensley and Munroe also see the prospect of downsizing in the one sector of the California economy that thus far has escaped major job loss — government. Hensley notes that recession in Massachusetts and New York was accompanied by significant shrinkage in government jobs; California, he says, has seen none. Both economists concede that such job losses, while perhaps inevitable, would likely threaten a fragile recovery.

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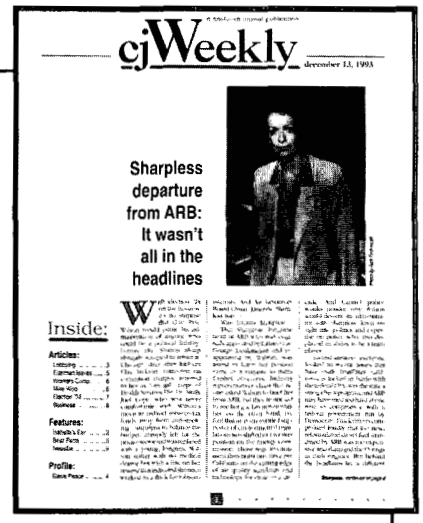
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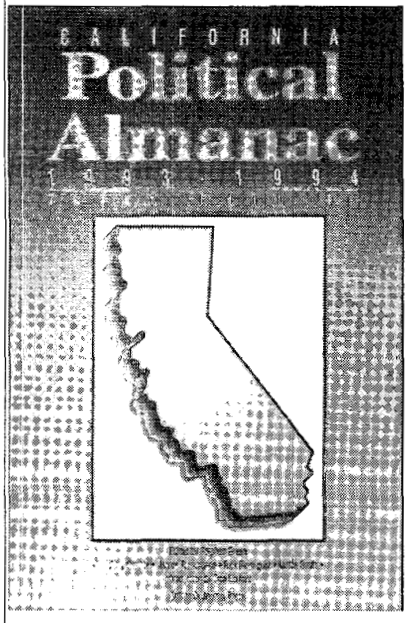

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Base closures

Photo: Darrald Bennett, Daily Press

When Johnny comes marching home

By Mary Beth Barber

When then-Chairman of the Joint Chiefs Staff Colin Powell took the podium at Sacramento's Comstock Club last March, he wasn't bearing good news. First, he announced to a stunned audience that Republican Assemblyman B.T. Collins of Roseville — a Vietnam veteran and local hero — had just suffered a massive heart attack in the lobby and was rushed to the hospital. Collins subsequently died. Then Powell launched into his prepared speech — on cutbacks in military spending. It was more bad news for an area closely connected to the military. Sacramento already had suffered the loss of two local military bases, Mather Air Force Base and the Sacramento Army

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Depot, and was waiting to hear if the newest list of closed bases included McClellan Air Force Base — the second largest industrial employer in Northern California with 15,000 mostly-civilian employees.

"Base closures are painful. They hurt communities that have been good to us," said Powell. "But it has to be done. We have no choice."

The federal government is committed to cutting back on military spending now that the United States is no longer involved in an arms race with the former Soviet Union. Areas to be hit include the active and reserve military, the Department of Defense, private contractors, and the "infrastructure." Translation: bases, training centers, forts, air stations, home ports, shipyards, hospitals. While the federal government had cutback manpower and private contractors, money was still thrown at facilities, said Powell. And that, he warned, was a waste of good funds. "You can't cut the Navy by 200 ships and keep open all the Navy shipyards," he said.

Powell continued to emphasize that the federal government had relied on California over the years for its defense. The state grew up with the military during World War II and during the subsequent Cold War. A large number of the military installations were in California. The flip side, of course: A large number of facilities to be closed also are in California.

And *that* reality has local and state governments horrified over the negative economic impacts, especially when piled on top of a lingering recession — a recession driven in part by private aerospace companies hard-hit by the loss of government contracts (see following story). The direct and indirect job losses from base closures feels like another kick to many cities already crying "enough!"

"We can't absorb this kind of hit," said Anthony Intintoli Jr., mayor of Vallejo, a city hammered by the pending closure of Mare Island Naval Shipyard. Vallejo has few sources of employment, and Intintoli expects to lose over 24,000 jobs — driving unemployment to a staggering 32 percent — unless new industries move in quickly once the Navy leaves.

California discovered the extent of its misery June 25th when the federal Base Closure Commission announced its final list of facilities to be mothballed in the third round of closures. The first two rounds were announced in 1989 and 1991, and also included several California installations. But Round Three imposed the severest impact. Hardest-hit was the area that surrounds San Francisco Bay, where six facilities are slated to be shut down: Mare Island; Alameda Naval Air Station and its related Aviation Depot; Naval Public Works Center and Naval Hospital; and the mid-Bay Treasure Island Naval Station. The only facility in Alameda to survive was Oakland's Naval Supply Center, employing a mere 3000. In terms of direct jobs lost, the Bay-Area hit amounts to more than 30,000, according to the governor's office of planning and research. Indirect job loss is projected to be as great.

Other soon-to-close facilities include Irvine's El Toro Marine Corps Air Station and San Diego's Naval Training Center, employing 6668 and 5588, respectively. While the economic impact may be felt in communities immediately adjacent to the bases, some Southern Californians breathed a sigh of relief when they looked to their brethren in the north. Although some southern areas suffered, others actually gained due to base consolidation. "Even with all of this moving around of military assets, San Diego County will see significant economic benefits," said Escondido's Republican Congressman Randy "Duke" Cunningham, who referred to gains at San Diego naval facilities.

Other communities also breathed easier. Sacramento's McClellan, for instance, was spared, as was Long Beach Naval Shipyard and San Diego's Miramar Naval Air Station and North Island Naval Aviation Depot. The Defense Language Institute at the Presidio of Monterey will continue, as will the Marine Corps Logistics Base/Defense Distribution Depot in Barstow. Nothing was set in stone, however. These installations may wind up on the chopping block in 1995, when another round of closures is scheduled.

The communities that did find their bases slated for closure — either this year or back in '89 and '91 — are investigating how to fully utilize the soon-to-be-vacant land and buildings. Many are looking to the first base to close in California, George Air Force Base in the Southern California desert near San Bernardino, but rather as an example of what *not* to do.

George AFB, in the Mojave Desert and bordering Adelanto, a small city of 12,000, was on the first closure list in 1989. The Air Force pulled out completely last December. One base re-use idea was as a public airport, and local officials offered their ideas. But while everyone agreed that an airport would be appropriate, local governments couldn't agree on the type of airport. San Bernardino County joined forces with Victorville and two other cities near the base to form the Victor Valley Economic Development Authority (VVEDA). They wanted to build a host of projects, including a commercial airport, junior college, park and temporary housing. Adelanto, on the other hand, wasn't part of VVEDA. And Adelanto wanted to build a large, international airport — a notion opposed by VVEDA. The key question revolved around who would get title to the base, and therefore control use of the land. If it was transferred to VVEDA, Adelanto would be left out.

"We're very, very close to George (AFB)," said Adelanto Mayor Mary Scarpa. An airport would have major impact on the city in terms of noise pollution, runways and air

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pollution. "We're very compatible with an airport — in fact, we encourage it. But they [VVEDA] want land-use control."

VVEDA and its allies, however, warn that Adelanto is in the pocket of big Orange County developers. "This process is dominated by secret agreements with greedy developers and side deals with congressmen who don't even represent this area," Victorville Councilman Terry Cadwell told the *Los Angeles Times*. He referred to Congressman Dana Rohrabacher, a Republican from Huntington Beach, and the lawmaker's attempt to sway the Pentagon to support Adelanto's proposal for a larger airport. Others, like Republican Congressman Jerry Lewis of Redlands, who represents the Victor Valley area, were outraged that Rohrabacher would meddle in a base closure outside of his district. "It's just plain wrong. I mean, can you imagine me telling Orange County congressmen what to do about El Toro [Marine Corps Air Station]?" Lewis told the *Times*.

Rohrabacher claimed that his interest in George AFB was for Orange County, because another airport might relieve traffic at Anaheim's John Wayne Airport, and because officials are exploring the possibility of a high-speed train between Orange County and Las Vegas that could run through the Victorville-Adelanto area. Yet Rohrabacher did admit to the *Times* that a conversation with Newport Beach developer William (Buck) Johns — who owns property near George — had prompted Rohrabacher's discussion with the Pentagon. Ultimately, the Pentagon stalled on the release of the base to local interests. Both Adelanto and VVEDA were asked, submit new development plans and work with the state to solve their differences.

Adelanto sued VVEDA, alleging that VVEDA's environmental-impact statement was invalid. That suit has stalled plans to transfer the base to some local entity. Adelanto's suit may be a hedge. As a small town, it does not enjoy the political clout of Victorville or San Bernardino County. "We're not politically powerful enough to sway anyone," said Mayor Scarpa. Because the local governments can't decide on a re-use plan, the Air Force has continued to retain the base. Formal conversion plans can't go into effect until the federal government does its own environmental-impact analysis, and that can't

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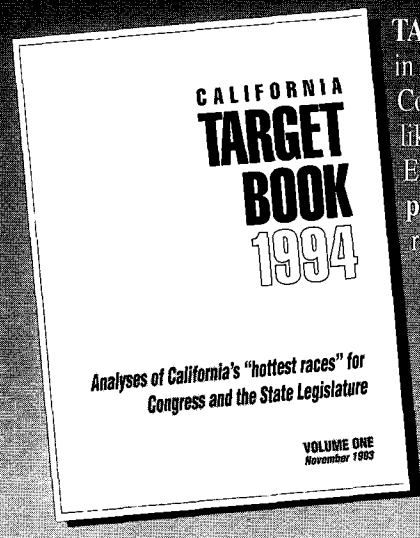

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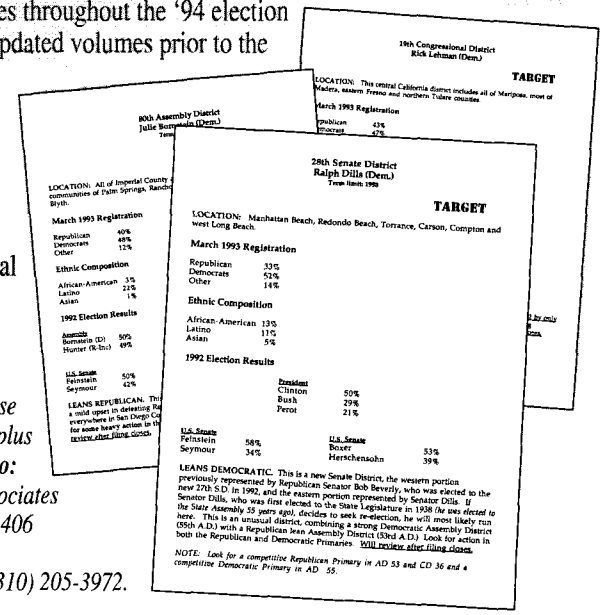
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start without a plan from the locals.

There's some doubt whether George AFB can really be used as a large international airport at all. It is miles from the populated centers of Orange County, making the high-speed rail proposal necessary for the airport to be of any use to many Orange County residents. "I don't think anyone in Orange County really considers it an alternative," said Ben Williams of the state's military base closure commission. "Right now Orange County has far more demand than capacity," he said, but there may not be enough demand to make a public airport at George profitable, especially if other high-desert air bases are converted into public airports. Norton AFB in San Bernardino and El Toro Marine Corps Air Station in Irvine have been slated for closure, and March AFB in Riverside may wind up on a closure list in 1995. All four bases could end up competing for the same air traffic that now crowds John Wayne Airport.

Cross-area squabbling hasn't been contained around George AFB, however. Even relatively small facilities have caused some uproar. Long Beach wasn't hit hard in the 1993 base closures, but they did lose their Naval Hospital, which Long Beach wants to turn into a retail center. The nearby cities of Lakewood and Hawaiian Gardens — literally across the street from the hospital and economically worse off than Long Beach — fear that if the retail center is built, jobs and consumer dollars will move from existing centers in their cities to Long Beach.

The Long Beach situation is complicated by the fact that the city qualifies for state tax credits because of damage suffered during riots that followed the Rodney King-beating verdict. Surrounding cities do not qualify for these credits. Lakewood officials complained that initial plans by Long Beach placed the Naval Hospital site inside a "revitalization zone," even though it is miles from the riot-torn part of Long Beach and connected to it only by the concrete thread of a city street.

Long Beach Community Development Director Susan Shick claims that retail centers will spring up in Long Beach, regardless of state credits or Navy facilities. She also said that Lakewood had plenty of opportunity to voice its complaints during the public hearings on the fate of the hospital, and that Long Beach abided by all the rules — both for the Navy and for the state's revitalization zone.

Lakewood's complaints were heard by politicians in Washington, D.C., however. Democratic Congressmen Marty Martinez of Monterey Park, Henry Waxman of Los Angeles and Howard Berman of Los Angeles wrote a letter to Defense Secretary Les Aspin, supporting Lakewood's complaints about the Navy's proceedings. "These proceedings apparently only focused on one city's view of what would be in the best interest of all concerned," they wrote.

But if the experiences surrounding George AFB and Long Beach Naval Hospital have caused headaches in San Bernardino and Los Angelies counties, they may have pushed local governments in other areas to get their acts together. For instance, groups in Monterey County, preparing for the 1997 closure of Fort Ord, had been squabbling over how to best use an Army facility that had been a strong economic linchpin for several coastal communities. After the Legislature passed a plethora of "defense conversion" bills, and Governor Pete Wilson issued an executive order creating the California Military Base Reuse Task Force, officials in Monterey got serious about planning for a future without the Army dollars streaming in from Fort Ord. The area's former Democratic Congressman Leon Panetta, now President Bill Clinton's chief of the Office of Management and Budget, got things started in 1990 with the Fort Ord Reuse Task Force, said Jerry Stratton of Monterey County. "He really worked with the Army to get a reuse plan," said Stratton.

The Fort Ord Reuse Group, consisting of officials from local cities and Monterey County, recently released a reuse plan that included a number of high-rise hotels, office parks, a desalination plant, and a new California State University campus. While some of the proposals such as the hotels are on the unrealistic side because of limited water supply, Stratton believes that the CSU campus and the research parks will greatly help Monterey's economy. Monterey's hope is to create a research and technical hub, using Fort Ord as a core area. CSU has indicated that it will use Fort Ord for another campus, one that may be able to house 85 percent of its students in existing military housing.

"All the stuff was built during the 1980s, said Stratton. "It's all great, beautiful stuff."

Locals hope the campus will attract some 2700 students for its opening, scheduled for 1995, and expand to a full campus of 25,000 students by 2015. The reuse group worked hard not to fall into a trap like George AFB, he said. Local government officials have made efforts to avoid major fights that could lead to lawsuits, no matter how much they disagree, said Stratton. Some cities want to erect high-rise buildings and build a tourist industry. Others think development for the area is limited by the water supply and would

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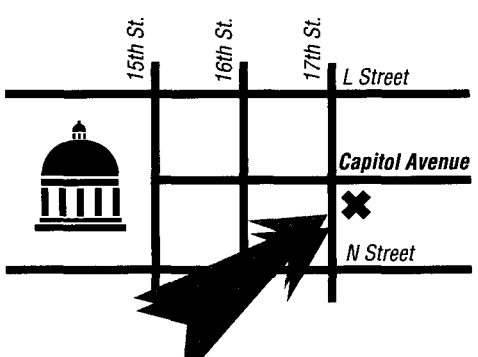

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damage the delicate environment. Despite the differences, however, local officials have made extra efforts to be patient with others who have different ideas, he said. The lesson to learn from George is clear: an imperfect plan is better than no plan at all.

In the Fort Ord area, a number of cities shared the burdens caused by the post's closure. When Mare Island closes, however, only one city will be greatly affected — Vallejo. "Essentially, this is like asking a city council to scrap a whole new area and build a whole new town — all within two years," said Democrat Valerie Brown of Sonoma, who represents Vallejo in the Assembly. If there is any silver lining in this situation for Vallejo it is that the city won't have to squabble with other city governments. Other cities are included in the Mare Island reuse process because some base workers live in the neighboring cities of Fairfield, Solano and Benicia. But for the most part Vallejo is on its own. Suggestions for reuse include an industrial park, but the federal government may still be interested in the facility for a Department of Defense accounting facility.

In fact, one of the issues complicating long-range base-closure planning for many local governments is the notion that the federal government may not soon give up the land, if at all; or, what the land will cost if it is given up. The Department of Defense has first priority over reuse plans for the bases. The second priority is housing for the homeless under the federal McKinney Act, if there is a request for such housing. Other federal agencies also have a crack at each base. Then, the state government may intercede and claim a base for itself. Finally, and only after every other entity on the totem pole has made its decision, local reuse groups get the chance to negotiate a sale, usually at greatly reduced prices. If nothing comes from that, then the land and buildings are sold at full market prices — a situation that may very well happen at George AFB.

It is unclear how long this process will take to play out. While President Clinton outlined a system for quick turnover in a five-point plan announced this summer, the deadlines don't seem to be set in stone to state and local officials. "There may be an internal deadline at [the Pentagon], but I don't know about it," said California Environmental Protection Agency reuse specialist Jennifer Smith. The federal government has been quick to respond so far, said Smith, but there are a lot more bases to go.

Environmental clean-up is probably the greatest problem facing base reuse, aside from local government squabbling. Every base needs some sort of clean-up before it may be reused, clean-up that the Defense Department is required to fund. Originally, the federal Superfund law also required the entire base to be clean before being designated for reuse — a policy that ran into trouble once local governments realized that it could take decades to purge contaminated soil and groundwater. Some areas on the bases, such as an artillery testing site at Fort Ord, are thought to be permanently useless except as nature reserves because of the large number of shells on the land, including unexploded ones. The Superfund law was altered by Congress, with help from Panetta, allowing bases to now be "parcelized," said Cal-EPA's David Wang. The clean areas — such as the track of land eyed by CSU at Fort Ord — can be reused right away as clean-up continues on other areas, or is set aside permanently.

Congress recently passed a number of new provisions to ease conversion in the National Defense Authorization bill. The bill would allow parts of bases to be leased as soon as possible, even if the military is still using the base in some capacity, to deflect the negative impacts on surrounding areas as much as possible. It would also give the Defense Department and other federal agencies a six-month deadline to determine what property they wish to retain, attempt to speed up determination of clean and contaminated parcels, and authorize the Pentagon to work with local governments to clean up the bases — all in the hope to alleviate negative economic impact on local communities.

Many local government officials are nervous about the final impact of the military leaving their cities and counties, despite the work being done in Congress and in Sacramento. But according to *The Sacramento Bee*, there may be a bright side to the military downsizing. "Throughout the nation, as old military bases became new civilian facilities since the 1960s, they ended up creating far more civilian jobs than were lost." A Pentagon study took a look at bases that closed between 1961 and 1990, resulting in a whopping 93,124 lost civilian jobs. But the new facilities created on those base sites — community colleges, general aviation airports and industrial sites — produced 158,104 jobs. Orlando, Florida, now uses the former McCoy AFB as its main airport. Kincheloe AFB in Sault Saint Marie, Michigan, contains five new prisons, which created more than 2100 jobs. And the former Dow AFB in Bangor, Maine, is now a main refueling stop for at least six airlines; an estimated 3000 flights a year go through Bangor. If new uses can be found for the California military bases, such as the CSU campus at Fort Ord, the future may not be as bleak as it seems. "I think it will be very good," said Monterey's Stratton.

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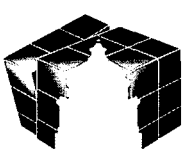

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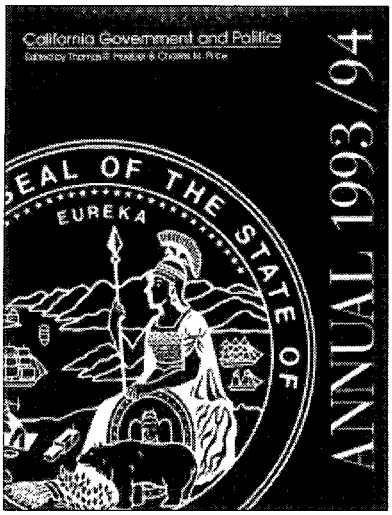

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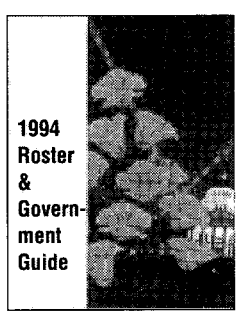

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Defense conversion

Can you make a buck when peace breaks out?

Illustration by Rob Wilson

By Mary Beth Barber

The term "defense conversion" is thrown around a lot in Sacramento and Washington, D.C., these days. And the term applies not only to the military itself but to private industries that have been built around defense contracts, including aerospace companies. California lays claim to the lion's share of defense contractors, which proved a gold mine during the Cold War's defense-industry boom but since has turned into pyrite as the federal government cuts back on military spending. Southern California has been especially hard hit, and political leaders have proposed programs to help the state's high-tech industry deal with cancelled contracts and a shrinking aerospace market.

Most industry officials agree that the era of plentiful, high-paying aerospace jobs and large government contracts now is over, and that defense-related industries must tighten their belts, hold onto at least part of the market that might be around in the next decade or so, and seek a new line of business.

Among the most vulnerable defense contractors are the aerospace companies. After all, there isn't much of a private, general marketplace for, say, a supersonic fighter jet. And although aerospace companies now talk about finding a "niche" in the high-tech construction world, each company pursues its own balance between weaponry and commercial ventures. Northrop Corporation, for instance, dips a toe now and then into the commercial field if the opportunity arises, but plans to continue to focus on defense contracts "because we feel it's what we know best," said Northrop's Jim Hart.

Rockwell International, on the other hand, already had a sizable number of non-DOD clients and has looked overseas for customers, including Australia and Korea, said Rockwell's Chris Rodriguez. "We've been focusing on foreign markets for some time," he said, "but we're not necessarily converting from defense. We're expanding." Some of the expansion is still in defense, to other countries besides the United States. But Rockwell has to go outside the defense realm to survive, said Rodriguez.

Lockheed seems to want to stay in the defense industry, continuing with federal contracts like the one to build the F-22 fighter. General Dynamics bowed out completely, selling that portion of its company that dealt with defense contracts to Hughes and leaving behind close to 3000 workers in San Diego. Other companies have looked to satellites, NASA or private airlines to gain business — although even that has proved to be dangerous. For example, more than 200 recently displaced workers from Aerojet in Sacramento may lose their jobs in Iuka, Mississippi, because NASA cancelled the company's contract for the Advanced Solid Rocket Motor Program, designed to replace the solid boosters responsible for the destruction of the shuttle spacecraft, Challenger.

The term "defense conversion" may be a misnomer, said one industry representative, and may not be possible in pratical terms. Delco-Remy project manager Jeffery Owens told PBS' investigative news program, "Frontline," that "it's an unnatural act to instill commercial mentality on a military business." As Rodriguez noted about Rockwell, companies aren't trying to wholly convert from defense contracts into other areas but instead are cautiously investigating other

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industries that closely resemble their own. Aerospace companies are just doing what they need to survive, as any business would, and unnecessary risk is not a survival technique. It's better to have a smaller company than no company because of an unnecessary risk. But smaller companies mean less employees, especially high-wage technicians and engineers. Just about every defense contractor has downsized over the past five years, most letting go a significant number of people with relatively high salaries.

Aerospace workers averaged over $18 per hour, and many of those unemployed now are middle-aged with families to support and bills to pay. The little investment that aerospace companies are doing outside of defense contracts won't solve the unemployment problems, said industry officials. While the executives believe their particular company will survive, they aren't expecting to be able to hire anywhere near the number of workers they had before. Displaced engineers and technicians go to the unemployment lines, competing for a limited — and dwindling — number of aerospace jobs.

Some aerospace companies want to build their strength in related fields. "We'll look into new business areas — cautiously — and only when we find a fit with our core technologies, and with a well established company," said Hart. For example, Northrop is heading up a team of 18 companies to design a bus for Los Angeles' Metropolitan Transit Authority. And although the contract is for $3.8 million, it amounts to small change compared to Northrop's annual $5.5 billion in sales. And Northrop is a medium-sized aerospace company, noted Hart, not one of the giants. "Those jobs we've been losing in defense over the past couple of years aren't going to be replaced by contracts like that," he warned.

The effects on the state's economy can be devestating, and the handful of high-technology projects the government offers defense contractors isn't enough to make up for the losses, said Adrian Sanchez, regional economist for First Interstate Bank Corporation. "Think of the billions of dollars [the federal government] was investing before," he said. "The type of money that they're talking about isn't going to put a dent in California's problems." All industries go through restructuring, but California had the bulk of the defense industry — an industry that relied on federal dollars rather than the open market. Fewer aerospace workers taking home hefty paychecks means fewer dollars being spent in the state. "I think the economy will come back," said Sanchez, but it will take some time.

Aerojet's Martha Alcott pointed out that defense downsizing has happened in the past, especially after the Korean and Vietnam wars. The difference this time is the general economy, especially of California. "I think Sacramento has a lot of engineers who were laid off in the '60s ... who became entrepreneurs," she said.

But Alcott also pointed out that the 1960s and '70s produced a robust economy and a demand for consumer products. The opportunities available to engineers in those years aren't available today — in part because all those engineers from the '60s and '70s are still around. "Now, we have to downsize in an economy that is certainly less than robust," she said.

Other areas around the country have been faced with similiar dilemmas before, where a heavily-relied-upon industry suddenly fell apart. The Quad City area of the upper Mississippi River valley, home to nearly 400,000 people in Illinois and Iowa, once had a robust economy based on the manufacture of farm equipment. But when hard times hit that industry in the 1970s, the Quad Cities suffered losses in economic power and population. Census Bureau figures show that nearly one-fifth of the population left the area during the '80s, many of them baby boomers born between 1946 and 1965. "These are the people who are not only the producers of the community, but they're also a very large section of the consumers," Paul Elgatian, a labor market analyst with the Illinois Department of Employment Security, told the *Quad-City Times*. When the consumers left, the area's economy suffered overall.

More significant in economic terms were the jobs that replaced manufacturing as the Quad Cities tried to replace closed harvester and tractor plants with gambling boats and other tourist-related businesses. So, even though jobs may have been replaced one-for-one, the result was a "downsizing" of the entire area economy because a croupier doesn't make nearly the wage of a tool-and-dye maker and a waitress isn't nearly as well paid as an assembly-line worker.

California would like to avoid the problems faced by areas like the Quad Cities, and government officials are scrambling to find additional high-tech, high-wage jobs to help California's dismal economy. Announcements are coming from all sectors of the government and industry, emphasizing other technical areas that could absorb the aerospace job losses. Barry Sedlick, a manager with Southern California Edison and a principle co-author of a study on industry migration from the state, said that some newer industries like the electric vehicle, rail car and apparel industries could flourish in the Los Angeles area. At least once a week, the California Environmental Protection Agency announces new environmental technologies (such as hazardous waste management or air pollution control), requiring technical expertise that could be explored by private industry and encouraged by governmental policies. But the Economic Roundtable of Southern California found that aerospace workers wishing to work on rail cars would experience a loss of wages, the electric-car industry is too young to prove a viable alternative in the short run, and the relatively low-wage apparel industry is not a welcome replacement for high-wage aerospace jobs. Nor would aerospace workers automatically slide over to environmental technology. Most would have to be retrained, and probably take wage cuts.

As for the companies, they will simply tighten their budgets to survive and live with either smaller companies or move into different markets. Instead, it's the workers with particular skills who may not easily move into other jobs, and who may never again earn $18 an hour. California's economy will continue to suffer as these people spend less and less in the state, leading to less taxes and smaller state and local government budgets. Aerospace companies watch their bottom line get smaller, as state and local governments watch theirs diminish as well. But the most frustrated people may be the workers themselves. Not only do they not know where to turn, they don't know who to be angry with. Is it the federal government's fault for not preparing the country for a downsized defense industry, or California's fault for depening upon defense, or the educational system which for years painted aerospace as a lucrative industry. As former General Dynamics manager David Blanchard told "Frontline," "Who do you blame for the fact that peace broke out?"

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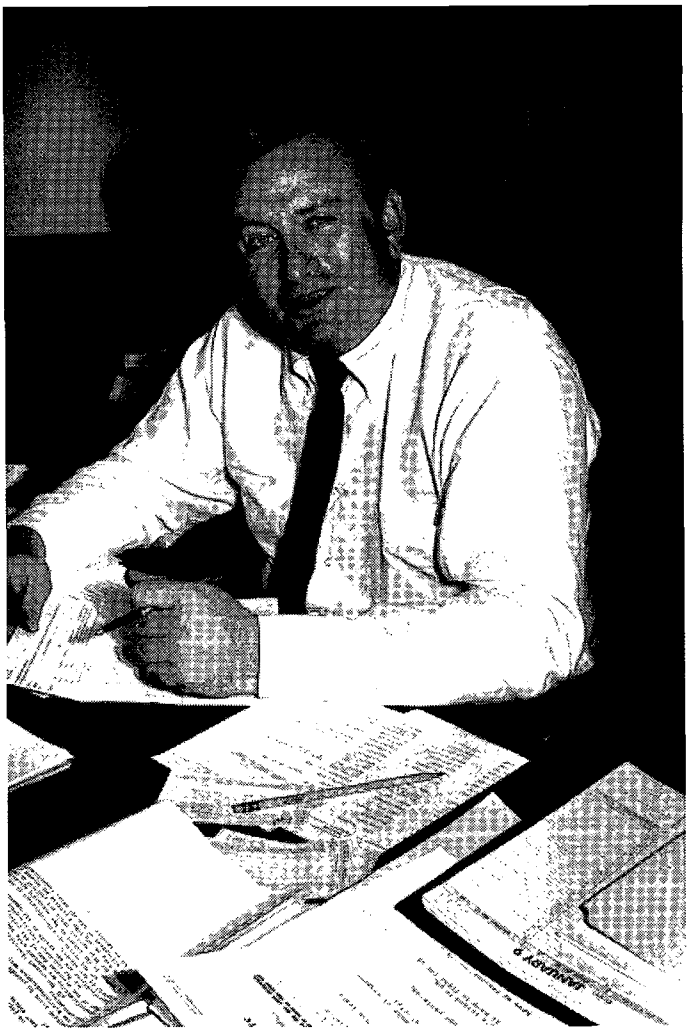
The fall of Clay Jackson



By Bill Ainsworth

Once they had decided to convict former lobbyist Clayton Jackson and former Democratic state Senator Paul Carpenter of corruption charges, the 12 jurors in the latest Capitol sting trial still had one more decision to make. Should they also indict a political system that allows special interests to buy votes?

Several jurors argued that they should send a letter to the judge saying that the real villain in the case is a system where money buys power and influence.

"They [the defendants] are victims of our system," said Ali Ardeshir, a juror and engineer. "There is a very thin line between what is illegal and what is legal."

Jurors, who took six days before reaching their verdict, chose not to send their letter, but some of them expressed their feelings in a private meeting with U.S. District Judge Edward Garcia, who presided over the case.

"We told him that if the system wasn't so loose, maybe people wouldn't be getting into such deep water," said juror Nitya Judal, a secretary.

During the six-week trial, jurors got a glimpse of how Capitol powerbrokers operate behind the scenes. They were disgusted by what they saw. The case featured two smug, money-hungry legislators and a boastful, arrogant lobbyist. It also raised disturbing questions about the connections between money and power at the Capitol.

"How can a certain group of people that nobody even voted for run the government?" asked juror Robert Bartosh.

Jurors found Jackson guilty of racketeering, conspiracy and mail fraud for bribing former Democratic state Senator Alan Robbins. They also found the 65-year-old Carpenter guilty of laundering money for Robbins. The prosecutions were part of a seven-year FBI sting investigation into Capitol corruption.

Jackson's conviction ended the 23-year career of the state's premier lobbyist, a man once welcomed in insurance corporate board rooms, the governor's office and the halls of the Legislature. No other lobbyist in Sacramento possessed his combination of contacts, control over campaign contributions and knowledge of the important area of insurance. Jackson's firm, SRJ Jackson/Barish & Associates, regularly topped the list of the state's highest-earning lobbying firms. In 1992 he personally earned $300,000 from the firm. In addition, he earned high fees as an insurance lawyer and managing partner for Sullivan, Roche & Johnson, a prestigious San Francisco law firm founded by California Governor Hiram Johnson. In his spare time, the 50-year-old lawyer-lobbyist taught ethics at San Francisco Law School. Though a workaholic, Jackson enjoyed the luxurious lifestyle — including a full-time chauffeur and a yacht — made possible

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Bill Ainsworth is Sacramento correspondent for the San Francisco Recorder.

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by his high earnings. Now he faces five to 10 years in federal prison. Sentencing is set for February 14.

At the heart of the case against Jackson were tapes that showed him trying to raise $250,000 for Robbins in exchange for help for his insurance clients. Robbins had secretly tape-recorded conversations with Jackson as part of a deal he made with prosecutors in the summer of 1991 to reduce his own five-year sentence for tax evasion and racketeering down to two years. He pled guilty and resigned his seat in the Senate in November 1991.

While working as a government informant, Robbins, the powerful chairman of the Senate Insurance Committee, told Jackson he could do his insurance clients a big favor: move jurisdiction for workers-compensation insurance issues from the Senate Industrial Relations Committee to the "friendly" confines of the Insurance Committee.

On the tapes, Jackson promised Robbins that he would raise $250,000 for the senator in exchange for Robbins' efforts. In subsequent conversations, he repeatedly discussed attempts to come up with the money and even expressed a willingness to launder it. At one point, Jackson tells Robbins that "all I need to do is pull a trigger" to raise $50,000.

In his closing arguments, prosecutor John Vincent, assistant U.S. attorney, said the tapes captured the "the uncut, uncensored Clay Jackson." And Vincent said he was outraged by Jackson's attempts to buy legislative favors. "It's enough to make you throw up," he said.

Paul Carpenter

Jackson's attorney, Donald Heller, countered that Jackson was the victim of an extortion attempt by Robbins, who was trying to trap the lobbyist to shave time off his own prison sentence. Jackson never raised any bribe money; Heller contended that he was merely playing along to placate a money-hungry legislator. Throughout the trial, Heller relentlessly attacked Robbins' motives, reputation and credibility. "In Alan Robbins, you have the coalescence of intelligence, cunning, amorality and evil," he told the jury.

Even the lead FBI investigator for the prosecution, James Wedick, admitted that before Robbins agreed to cooperate, "he was one of the most evasive people I have ever had the opportunity to question." To the jury, "evasive" was a charitable description of Robbins. Some jurors called him a "sleaze" and a "liar." The six jurors interviewed for this story said they took special care not to convict the defendants solely on Robbins' word.

As a result, the jury deadlocked on three acts of the racketeering charge against Jackson in which the main evidence was Robbins' testimony. The acts involved legally reported campaign contributions to Robbins from three separate Jackson clients — convenience store owners, Surety Company of the Pacific and G-Tech, a lottery contractor. In each case, Robbins testified that the contributions were bribes.

In other cases, though, the prosecution produced tapes of Robbins' conversations with Jackson. The jury believed that those tapes proved conclusively that Jackson had attempted to bribe the senator. None of them bought Jackson's story that he was only pretending to appease Robbins because he feared him.

Jackson's contempt for his colleagues, his taped boasts about his power, and even his physical appearance worked against him. On the tapes, he called Insurance Commissioner John Garamendi a "twit," derided his insurance clients as "idiots" and called his ally, Governor Pete Wilson, "somewhat inept." The heavyset, six-foot, six-inch defendant, a former offensive tackle on the football team at the University of Southern California, repeatedly bragged about his power and influence with Wilson.

"The way Jackson carries himself and his behavior showed that he wasn't a person who could be intimidated by anyone," juror Ardeshir said. "He had the power and the money. In his mind, he had the power to buy anyone."

Indeed, Jackson gained his reputation partly by his ability to direct or withhold campaign contributions to legislators. Even before his trial and conviction, he was known for his willingness to use his clients' money to influence legislation. "A lot of his power comes from bringing a money bag to the Capitol," said a veteran lobbyist in a 1991 interview.

On the tapes, Jackson boasted that he had so much control over the campaign contributions of his clients that he

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could even convince them to donate to state Senator Tom Hayden, a liberal Santa Monica Democrat despised by most business interests. Frequently, Jackson's clients gave out more than $1 million a year in contributions.

Jackson came to the capital in 1970, after graduating from Hastings Law School. He quickly mastered politics and parliamentary procedure and began to develop his specialty in insurance regulation. Starting with the California Hotel and Motel Association, Jackson gradually built up an impressive client list. In a 1991 interview, he conceded that money was part of his success. "Delivering accurate information is a big part of being a good lobbyist," he said. "But so are contacts and support of the political system. Unfortunately, money is a big part of the political system."

Jackson's reputation for success in the Legislature attracted blue-chip clients, including Anheuser-Busch, Proctor & Gamble, B.F. Goodrich and the American Insurance Association — a group of 250 giant insurance companies. Even after he was publicly accused of bribery, but before his indictment, most of Jackson's clients remained with his firm. And Capitol policy makers continued to grant him access.

Just three months before his indictment, former Wilson cabinet secretary Loren Kaye called Jackson a "credible, straight-shooter" welcome inside the governor's office. At the time, Jackson said he was not surprised that doors of powerful policy makers were still open to his firm. "They know us," he said. "They know how our operation works."

Jackson was also popular among his fellow lobbyists. When he was indicted in February, 30 lobbyists signed a letter of support for him. They also pledged $100,000 toward a legal bill that could cost him up to $1 million. Many lobbyists supported Jackson because they feared that his prosecution was an attack on the campaign-contribution system. Some allegations against him involved legal contributions that Robbins claimed were bribes only years later. Lobbyists worried that anyone whose clients gave money to lawmakers could risk similar prosecution.

Jackson's conviction has only confirmed their fears. Many lobbyists are now worried that the U.S. attorney's office has blurred the line between legal contributions — an everyday part of state politics — and illegal bribes. A lawmaker could turn a lobbyist into a criminal by claiming that a contribution was a bribe, they say. "I worry that more people are going to cross the line before they realize it's too late," said one lobbyist.

Several lobbyists said they would move to put more distance between their roles as policy advocates and fund raisers.

"The message is clear. Anybody who is involved in fund raising and policy ought to make sure not to mix the two," said George Steffes, one of the state's most prominent lobbyists.

One veteran lobbyist worried that the public exposure of Jackson's crass tactics would tarnish the reputation of the 1000 lobbyists in Sacramento. He believes the profession of lobbying has been unfairly convicted. "The trial confirmed the public's worst suspicions about lobbying," he said. Even legendary liquor lobbyist Artie Samish, who publicly boasted that he controlled the Legislature the same way a ventriloquist manipulates his dummy, did not do as much damage to the profession. "It did more harm to lobbying than Artie Samish could have ever dreamed of," he said.

The verdicts have sparked renewed calls for campaign-finance reform. Anthony Miller, chief deputy secretary of state, and a candidate for secretary of state, said he believes the convictions demonstrate the hazards of allowing lobbyists to direct campaign contributions. He supports legislation that would bar lobbyists from arranging contributions of more than $250. The Political Reform Act of 1974, the state's main ethics law, contained such a prohibition, but it was overturned in a lawsuit by the Institute of Governmental Advocates, a lobbyists' trade group. The California Supreme Court ruled in 1979 that the ban violated lobbyists' free speech. Miller said that he has drafted his legislation carefully, but several other lobbyists and lawyers doubt even a narrow ban could stand up against a court challenge.

Until a new law is passed, reformers' hopes rest on the California Supreme Court. The court is now deciding whether to reinstate Proposition 68, a 1988 initiative that contains contribution limits and partial public financing of campaigns. It is expected to reach a decision within a month.

Several jurors in the Jackson/Carpenter trial said they would welcome public financing, contribution limits or any changes that would reduce the influence of money over policy. The jurors, exposed to the underside of lobbying and deal-making at the Capitol for six weeks, did not like what they saw. Lobbyists exert too much power on behalf of wealthy clients, they concluded.

"The more I learned about the system, the more I hated it," said Ardeshir. "These lobbyists have so much power because they've got money to throw around left and right."

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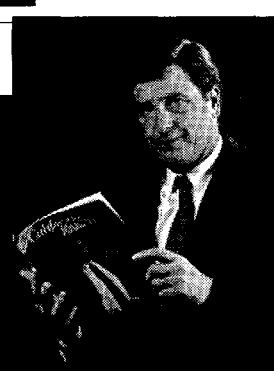

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Herding cats

Institute tries to unite California's congressmen

Illustration by Christopher Van Overloop

By Michael Doyle

California's notoriously divided congressional delegation sought the political equivalent of marriage counseling a few years ago, with the formation of the California Institute for Federal Policy Research. Members did it for the children that had already run away: the family of federal projects like the Superconducting Super Collider and an earthquake research center that had slipped from California's hands and ended up in other states. And they did it because the neighbors were beginning to talk: the series of newspaper and magazine articles lamenting the California delegation's seeming inability to work together.

"We were very concerned about California's image, the fact that the members of Congress couldn't seem to get together," recalled Don Edwards, the San Jose Democrat who's dean of the state delegation. "We just weren't using the clout we had, and we decided to do something about it."

Now, seven years after Edwards and others began talking about an organization to bridge the state's diverse interests, and two-and-a-half years after the non-profit entity came into existence, the California Institute is still seeking to fulfill its own potential. It has produced some useful materials, but it is also shifting priorities after some early false starts. It has attracted funding from an impressive array of California companies and universities, but it is still short of both money and staff. It has Democratic and Republican backing but has shied away from some of the most divisive policy issues, and the institute itself has caused some tension among lawmakers.

The California Institute, in short, seems to be a good idea that's not yet fully matured.

Michael Doyle is a reporter in the Washington bureau of McClatchy Newspapers.

"I know that there are some people that get impatient, but you have got to give it time," said Congressman Carlos Moorhead, the Glendale Republican who heads the state's GOP delegation.

Steve Chaudet, a Lockheed vice president who's helped the institute, echoed this same theme. The institute's three-person staff is "thin" in numbers right now, he said, but with more visible accomplishments should come easier fund-raising; and in turn, that should build the staff, and hence the accomplishments, and hence the fund-raising, and so on.

"The institute is young, and we're having to overcome a lot of history in which the delegation didn't always work together," Chaudet said.

As originally conceived, the California Institute was designed to herd cats — in other words, to bring ideologically diverse lawmakers onto common ground so all could work together for the state's best interests. The founders figured that even a 54-member congressional delegation that spanned the range from Garden Grove Republican Robert Dornan to Democrat Barbara Boxer, now in the Senate, could share some goals. California's inability to reel in several prestige projects helped spur the effort.

Now it's a blessing, with the recent congressional decision to kill it off, but in the 1980s California's failure to attract the multi billion-dollar Superconducting Super Collider seemed like the latest humiliating defeat for the Golden State. The super collider, a giant atom smasher that some thought belonged in the Central Valley, was the largest in a school of federal big fish that California couldn't land. There was also a $50 million earthquake research center that ended up 3000 miles away from the San Andreas Fault, in Buffalo, New York, and a $125 million semiconductor research center that Texas lassoed. And, beyond the specific projects, some feared an "Anywhere But California" mentality in Congress required a concerted challenge.

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"We were being run out of town by these other states that were better organized," Edwards said.

Members of Congress ultimately raised money from private industry — $95,000 in 1990, $242,000 in 1991 and $317,000 in 1992 — and the institute opened its doors on July 1, 1991. The executive director since the beginning has been Janet A. Denton, now 52, who in the past worked for former Assembly Speaker Bob Moretti and the administration of former Governor Jerry Brown, where she headed the state Department of Conservation. Fittingly, for the head of an institute that links business needs with public policy, she also worked as a lobbyist for Pacific Telesis.

"I hope we can be the voice of priorities within the state," Denton said. "As we mature, we should be able to provide in-depth recommendations on economic developments."

The California Institute is now based in the basement of a red brick townhouse, several blocks from the Capitol. Denton, whose salary was $110,000 for her first year, has a two-person staff that's augmented by a research fellow from California State University. They produce a monthly eight-page newsletter that in recent issues has included lists of California appointees in the Clinton administration, information on illegal immigration and military base closing and a full-page photo spread touting the "formal elegance" of the institute's October reception at the State Department.

In recent months, the institute has pulled together a review of health care in California and a 37-page report on defense downsizing, and it's initiated a blue-ribbon economic advisory council that's supposed to identify major public-policy issues facing the state. The advisory council had its first meeting in December.

"I think our accomplishments have been terrific, given how young we are," Denton said. "I'm personally quite pleased how we've established a level of credibility and trust."

Not everyone is as enthusiastic and, according to one congressional staffer, "the institute has become a source of tension within the delegation." The questions raised are pretty fundamental: "What should the institute be doing, and how well is it doing that job?"

"I don't know what they've done," said one skeptical California House member, speaking on condition of anonymity. "My guess is they haven't done much."

Bruce Cain, associate director of the Institute for Governmental Studies at the University of California, Berkeley, acknowledged the potential value of a center that finds common ground among California's interest groups. Simply having Republicans and Democrats "breaking bread" together can help overcome the barriers that hinder concerted action, he said; but he also questioned the institute's potency.

"What they do other than hold an occasional conference or facilitate communication is beyond me," Cain said. "I have a feeling that it's not much."

The institute once talked of sponsoring monthly get-togethers for House members, but individual lawmakers began setting up their own meetings. An early effort to woo World Cup soccer games to the state was dismissed by people like Howard Berman, a Democrat from Los Angeles, who thought efforts would be better spent on more permanent industry.

Now, though, Berman said, "It's a little too early to make a formal assessment" of the institute's effectiveness. He gave it credit for helping to "focus the agenda" of the state's delegation. Even so, the institute also has found how hard it can be to identify a common agenda.

The institute's corporate sponsors wanted sessions on the benefits of the North American Free Trade Agreement, but the institute's union sponsors opposed the idea. This stand-off essentially kept the institute out of an issue critically important to the state. Denton now worries that the debate over immigration policy, also critically important to California, may have already become too polarized for the institute to heal.

"I'm concerned that it's getting too late," Denton said, though she adds, "I would like for us to make a contribution to the issue."

The ability to peer over the policy horizon, and identify important issues before California lawmakers become locked into opposing positions, will be key to the institute's future success. "We're finding that the important time to have briefings is before the issue has become gelled," Denton said. "We have to be savvy about what issues we choose."

Fund raising is the other key to future success. Although the institute has received money from more than 75 companies and universities, including Lockheed, the Bank of America, Southern California Edison and the Irvine Company, it's a fund-raising base that Denton still considers too narrow. By contrast, the 18-year-old Northeast-Midwest Institute boasts an annual budget of $1.1 million and a staff of 13. With funding from foundations, and a good track record of producing timely, solid research, the Northeast-Midwest Institute has the size and the reputation that the California Institute might aspire to.

"That's what I would call a realistic dream," Denton said.

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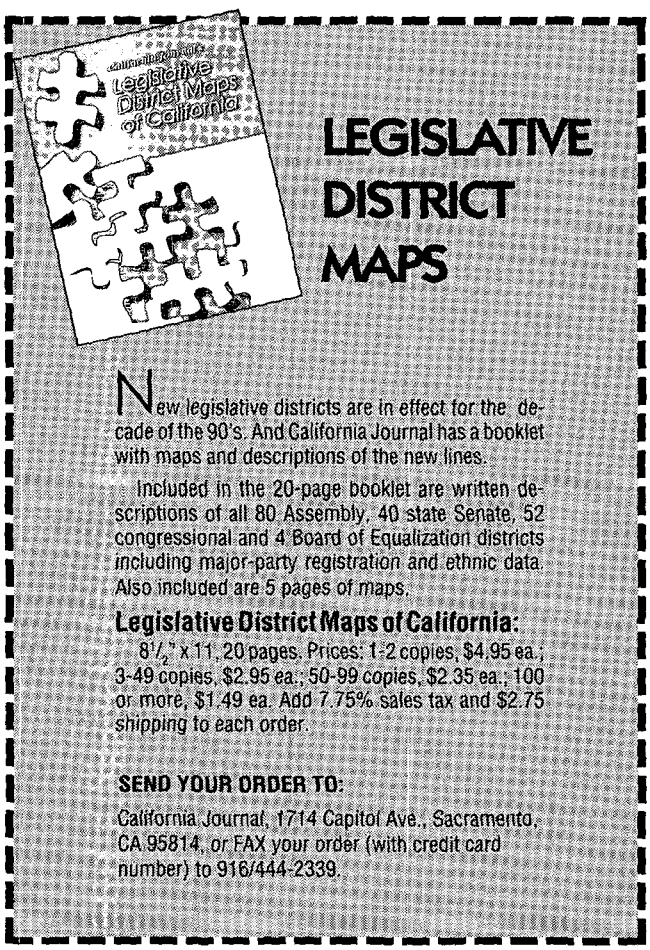
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Realignment

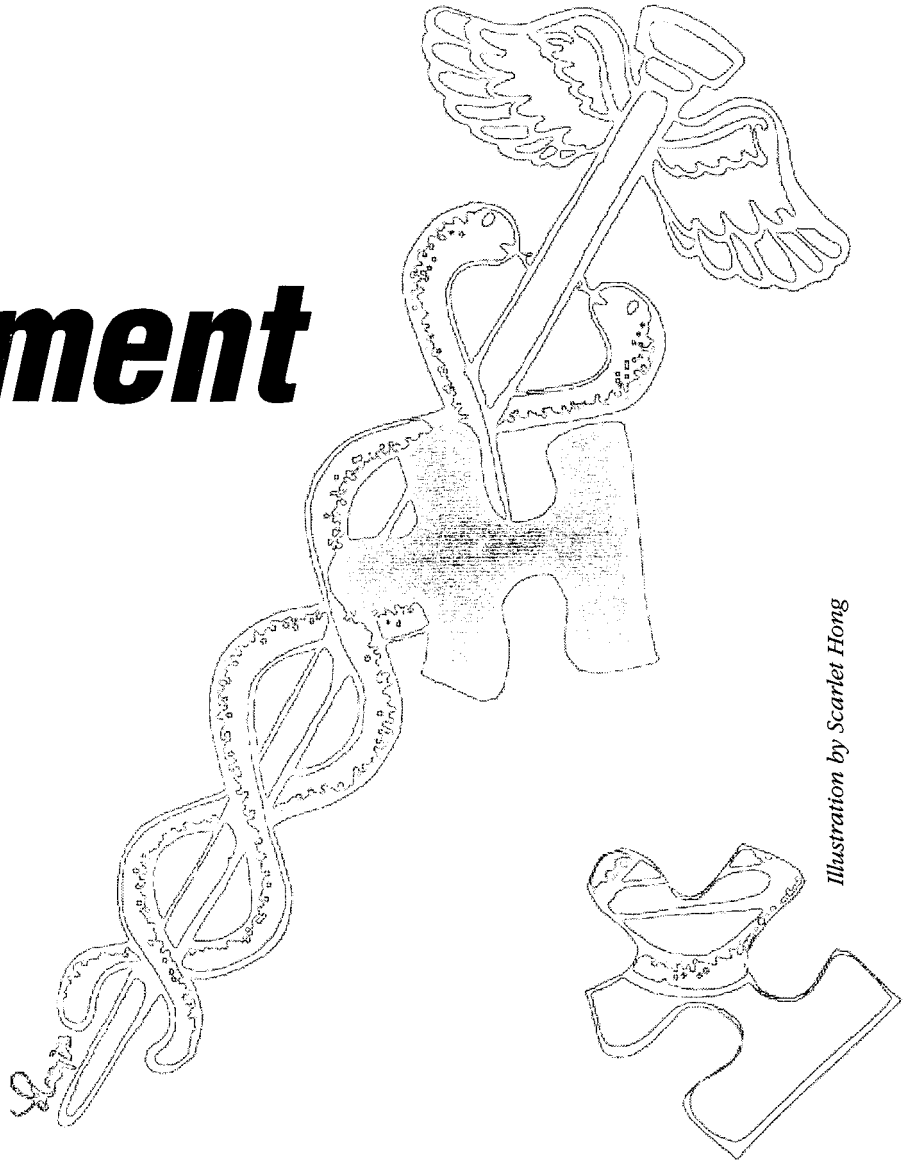

Illustration by Scarlet Hong

New solutions for the health-care puzzle

By Danielle Starkey

There are technical terms for what they do; "acting out" is one of them. Even if we don't know what it's called, we know odd behavior when we see it, and if it seems that being accosted on a city sidewalk by a severely mentally ill person has become a lot more common than it used to be, you're right. It has.

The recession is largely to blame, say mental health experts, because it's intensified the chronic underfunding of mental-health services. Only 40 percent of the people who need some form of care are getting it, they say. In addition, the waits are longer. People who once needed crisis intervention counseling are not getting it in time, and so develop a more serious mental illness, which can lead to assaultive behavior.

Recent changes in the way mental-health programs are financed created hope that the situation might improve. But the changes also have created concern that treatment decisions could now be based more on cost than on appropriateness.

The key change was that the state transferred to the counties the responsibility for choosing mental-health treatments, and also gave them a pot of money to pay for them. Before 1991, money for mental health came from the state general fund, with directions for its use. Counties complained under the old system that there were too many strings attached to the money, and that there were strong financial incentives for them to spend it wastefully.

For example, the state gave each county a set number of "bed" days at state mental hospitals, where behind the locked gates of sprawling compounds, people thought to be dangerous to themselves or society went for the most intensive treatment and supervision available. Even though a bed at a state hospital cost $110,000 per year, price was no object to the counties, who knew they had to use the bed or

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lose it. There was no incentive for counties to use less-expensive forms of treatment, since they couldn't transfer savings from unused beds to other mental-health programs. Nor was there any incentive for the state hospitals to keep costs down, since they were assured a steady stream of clients.

In 1991 the Legislature took mental-health, public-health and social-service programs off the list of items paid for out of the general fund and instead dedicated a portion of a half-cent sales tax and vehicle-license fee to pay for them. This was called "realignment."

"The flexibility that realignment gave counties meant that they can now develop programs any way they want. That's enabled them to develop innovative programs," said Bryan Jones, director of public policy for the Mental Health Association in Los Angeles.

Another result has been that occupancy at state mental hospitals, the most expensive form of treatment, has plummeted: In the past two years, referrals from counties dropped 29 percent. "Before realignment, [counties] could only spend state hospital bed money on the state hospitals. Now counties have a choice. We've made the state hospitals compete like any other facility, and counties found that they have more cost-effective, client-oriented local systems of care," said Karen Coker-Keeslar, health and welfare legislative representative for the California State Association of Counties.

But those whose jobs are at stake at the state hospitals and advocates for the mentally ill worry that with the recession-racked sales tax producing less than was hoped, counties are basing decisions on what money is available, rather than on what is best for the individual or the public. They also are concerned that there isn't sufficient oversight of decisions made. The state should evaluate programs and make sure minimum standards are met in the 58 counties, critics say.

"Realignment doesn't establish any statewide standards for care, and leaves it up to each county to decide what kind of care they provide," said Dr. Joyce Sutton, a staff psychiatrist at Napa State Hospital.

"When their budgets have been cut, counties say, 'Well, each patient in the state hospital costs more,' so they pull patients out and put them in [other facilities] either in their own or in far distant counties," Sutton said. "There are

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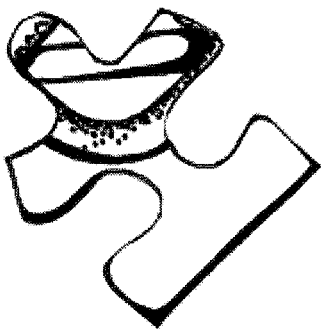
patients that are pulled out [of state hospitals] prematurely," she added. "Over the years, as patients are released from residential hospitals, many, many more have ended up in the streets, and from there, many wind up in prison" after, in their troubled condition, they commit crimes.

The number of mentally ill people



in prisons and jails has skyrocketed, added Sutton, who used to work in the parole division of the Department of Corrections. "It's cheaper to keep someone in prison at $70 per day" than in a locked community facility which can cost hundreds of dollars per day. Sutton said there are now 10,000 to 30,000 mentally ill people in the corrections system, up from an estimated 1200 in 1974.

Proponents of realignment, especially county officials, say they're grateful they no longer have to beg for their supper each year at budget time, even if the recession has meant the sales tax didn't give them as much as projected. In the two years before realignment, the amount of money counties got for indigent health care, mental health, foster care and other medical and social services had been cut in half by the Legislature or blue-penciled by former Governor George Deukmejian, said Coker-Keeslar. "We were on a very sharp, downward funding trend... If the Legislature still had the authority for indigent health care without realignment, that money might not be there at all," she said.

"What realignment did was give counties more flexibility in how to spend health and welfare dollars," said Bill Wehrle, senior fiscal and policy analyst for the non-partisan Legislative Analyst's Office. "Under realignment, if you have to make a cut, you can decide whether to cut 10 crisis intervention workers; two or three beds in a nursing home-type setting or one bed in a state hospital. [Realignment] gave counties the responsibility to make these decisions."

In addition to giving counties greater flexibility in selecting mental-health treatments, realignment also changed the cost-sharing ratio for children's services.

"Before realignment, counties paid nearly nothing for foster care. So what was happening? Foster-care placement was the fastest growing program in the health-and-welfare budget of the state," said Wehrle, who added that counties now pay 60 percent for group foster care. "When the state used to pay about 98 percent of the bill, counties didn't care how much it cost. Because they didn't have to pay that much, caseloads were going through the roof.

"But if you're excessively using foster-care group homes, at $3000 per-month per-kid, at some point the state budget gets eaten alive. If you're spending on the most expensive, most restrictive interventions, then pretty soon you won't have money for the types of services that would prevent bad situations in the first place," Wehrle said.

Sharing the costs has created the incentive for counties to "think about what they're spending more," said Coker-Keeslar. "They're doing more and more to keep families together. Before, they were yanking children out of their homes and putting them in foster care." Now, counties offer other services to parents — such as respite services — to avoid taking away their kids.

Still, some children's advocates say that children now are being kept longer in bad family situations in the name of "family unity" to avoid the higher cost of foster care. Coker-Keeslar said this is overblown. "It's not like counties have total discretion," she said. They still have to follow state and federal laws regarding care.

"I'm not pretending we've found the balance," said Wehrle. "But the point is, there is a balance. Realignment has worked; it's just that nothing is free. Better oversight was needed before realignment, too. We don't need to decree how counties spend their money; perhaps what we need to do is to hold them accountable for the results they get."

At the very least, realignment has produced constructive changes at the state hospitals. Before realignment, "State hospitals had become an archaic institution. They were not consumer- or user-friendly," said Stephen Mayberg, director of the state Department of Mental Health. But when the number of beds purchased by counties dropped from 2557 the year before realignment to 1720 this year, state hospitals got an unmistakable wake-up call, especially when the Legislature began talking about closing one of them last year, Mayberg added. "It costs the same to run a plant with 60 percent occupancy or 100 percent, as far as heating, staffing, and maintenance of those campuses. These costs escalate per client as occupancy drops," and that means a greater cost for counties to send people there, he said.

The state hospitals, which are controlled by the Department of Mental Health, have responded by offering a greater array of treatment options, including those that emphasize independent living skills, said Mayberg, who was Yolo County's mental-health director before being appointed to his state post last February.

Whether or not "realignment" ultimately benefits the community at large and provides those in need of services with the best possible attention and care remains to be seen, however.

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Notebook

NEWSBRIEFS

Sigoloff nominated for schools' chief

The last time Governor Pete Wilson nominated a new superintendent of public instruction, the results were a series of contentious committee hearings and floor debates and eventual rejection by the Assembly. And that nominee was one of the Legislature's most-respected members — GOP Senator Marian Bergeson of Newport Beach. Half a year later, Wilson will try again with his second nominee — Sanford Sigoloff. Sigoloff, who has no education experience, has spent his career as a corporate take-over specialist, rescuing bankrupt corporations, and his often ruthless strategies have earned him the nickname "Ming the Merciless" after the villian in old Flash Gordon movies.

As a nominee for a statewide constitutional office, Sigoloff must be approved by *both* houses of the Legislature. And all legislators know about him at this point is that he is a successful businessman, that he has no education or government experience and that he has insisted that he will not run for a four-year term in 1994.

A nominee coming in with a clean slate and no overt political ambitions may be exactly what Wilson wanted to avoid another confirmation battle at a time when the governor faces re-election. Unfortunately, Sigoloff faces a set problems that may provoke a battle anyway. For one, lawmakers may not be ready to embrace an empty vessel for California's superintendent of public instruction. Second, and perhaps more important, as superintendent, Sigoloff is authorized by the state Constitution to appoint four assistants, who must be confirmed by the state Board of Education, which is appointed by the governor.

Significantly, those appointees serve fixed four-year terms and may not be removed when a new superintendent takes office after the 1994 elections. The jobs have remain unfilled for years because former Superintendent Bill Honig could not get his nominees confirmed by a GOP-dominated Board of Education. After Honig was convicted on conflict-of-interest charges and resigned in 1992, his deputy, William Dawson, also left the positions vacant.

"If Sigoloff ... is confirmed, he and Wilson will control those four jobs," said a source who asked not to be identified. "It will paralyze the department for four years, no matter who comes in after."

The situation is complicated by the presence of Joe Stein, outgoing board chairman whose nomination to remain on the board was dinged by the Legislature last summer. Speculation is strong that Sigoloff would name Stein to one of the assistant superintendent posts. In addition to those jobs, the superintendent may also fill eight exempt positions that have no fixed term and serve at the pleasure of the superintendent. But thanks to a state Supreme Court decision, the fixed-term jobs must be filled *before* the exempts. Plaintiff in the suit that set this priority — Joe Stein. Democrats who control the Legislature, and who have battled the board over education policy, may be reluctant to turn the department — and power to appoint key assistants — over to Wilson and his minions, further complicating the confirmation process for Sigoloff.

Sigoloff's nomination received a mixed reaction from state legislators. Senator Gary Hart, Democratic chairman of Senate Education, was dismayed that the governor would nominate someone without any education experience. On the other hand, Senate President pro Tempore David Roberti welcomed Wilson's choice. "He is a technician who should be able to handle the job. The governor made the right move in appointing someone who is not running for election," Roberti stated. The California Teachers' Association had no immediate comment, but it must be concerned about Sigoloff's ability to name four key deputies who cannot be removed by his successor.

Finally, Sigoloff may face trouble because, with only one year left before an elected superintendent takes over, lawmakers may want to stay with the status quo; namely, Dawson.

As with Marian Bergeson, Hart is concerned that the confirmation process will be overly politicized. It is expected that Sigoloff will be put under a microscope, Hart said; his record in the private sector, his record of success, his modus operandi and whether or not his way is applicable to a public agency.

The Wilson administration remained confident that Sigoloff would be approved.

— *Laura A. Locke*

Kim Belshe nominated to head Health Services

Governor Pete Wilson stepped into something of a hornet's nest last month when he nominated 33-year-old Kimberly Belshe to direct the California Department of Health Services, which manages the state's public-health programs and has an annual budget of $16 billion. The nomination was immediately controversial because Belshe, who has no medical degree, worked briefly as a spokeswoman for the tobacco industry before joining then-U.S. Senator Wilson's staff in Washington, D.C., in 1989. She's been deputy secretary of the state Health and Welfare Agency since 1991.

Her new post requires Senate confirmation — an event that could prove far more contentious than the time, two years ago, when Belshe's name quietly slipped through the Senate as a nominee for H&W deputy secretary. Some observers feel the administration could be in for a confirmation debate as raucous as one held in the Assembly earlier this year for Wilson's nominee as superintendent of schools, Senator Marian Bergeson of Newport Beach, who was rejected. Bergeson required both Senate and Assembly confirmation

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because she had been named to a constitutional office. Belshe's appointment requires only Senate approval. The Belshe hearing will take place in a gubernatorial election year, and at a time when Clinton administration health reforms likely will be implemented.

The most vocal opposition to Belshe's appointment comes from anti-smoking forces, who can't forgive the three months she spent working to defeat Proposition 99 in 1988. The measure added 25 cents to the state cigarette tax to pay for tobacco education and prevention programs. At the time, Belshe was employed by the public-relations firm of Ogilvy and Mather. Her opponents also are angry that Wilson skipped over others with more experience in health matters. Belshe's predecessor, Dr. Molly Joel Coye, was commissioner of health for New Jersey and head of the division of Public Health at the Johns Hopkins School of Hygiene and Public Health before her appointment. She resigned in September to work in the private sector.

But while Belshe's appointment has drawn the ire of physicians active in anti-tobacco campaigns and non-profit groups such as the American Cancer Society, she has been stoutly defended by a pair of Democrats — Assemblyman Phil Isenberg of Sacramento and former Assemblyman Bruce Bronzan of Fresno, the two who authored legislation to carry out Proposition 99. She also has won praise from others in the health-care industry. Some of those supporters, however, have a financial stake in maintaining productive relations with whomever becomes head of the state health department, including the Association of Hospitals and Health Systems and the California Medical Association.

Bronzan, former chairman of Assembly Health who calls himself a "hard-core anti-smoking person," said that in 1989, when there were "huge fights with the tobacco industry" over distributing money collected from the tax, "[Belshe] was on our side." If she had been "pimping for R.J. Reynolds ... we would have known that."

But Belshe's critics say that anyone who works for the cigarette industry for any length of time is unqualified to work as a health leader. "For anyone who does anything to promote the interests of an industry that makes its living addicting little kids to cigarettes [to be appointed state health director] is outrageous. It's mind-boggling," said Dr. Stanton Glantz, professor of medicine at UC-San Francisco and a specialist in cardio-vascular research and health policy.

Belshe said criticism of her work against Proposition 99 "is easy for someone to say who wasn't unemployed for five months" as she was when she accepted the job. "On the other hand, hindsight is 20-20," she said. "If I had to do it over again, I would not take that job. I can state that unequivocally."

— Danielle Starkey

Maddy safe as minority leader — for now

Senate Minority Leader Ken Maddy of Fresno has set about proving that reports of his demise as the Senate's top Republican are greatly exaggerated. Maddy convened an unscheduled caucus meeting last month to discuss GOP strategy in the run-off election in Senate District 40. Maddy emerged from the meeting with a unanimous caucus commitment to do what it takes to win the runoff, which pits Republican Joe Ghougassian against Democratic Assemblyman Steve Peace. He also emerged having, at least for the moment, quieted voices within the caucus who had complained that he wasn't willing to take the risks necessary to win a majority.

"I think we're seeing a somewhat re-energized Ken Maddy," said Senator Bill Leonard of Redlands.

The comment from Leonard is significant. Leonard's was one of the voices which had been raised to question Maddy, suggesting the times called for more than acceptance of "permanent minority" status. Leonard even hinted that he himself might be interested in becoming minority leader, if the caucus decided that a change was needed. Maddy, however, seemed anything but dead as he emerged from the caucus and said the caucus would do what it takes to push Ghougassian across the line.

Although Leonard seemed satisfied with the effort, the degree of comfort Maddy feels in his seat depends largely on one person: Senator Rob Hurtt of Garden Grove. The maverick conservative with the deep pockets has been the most persistent advocate of a more forceful approach to elections.

As the late Assembly Speaker Jesse Unruh used to say, however, it is better to embrace one's enemies than to keep them at arms' length. And Maddy, for now, has embraced Hurtt. Senate Republicans last month, in yet another caucus meeting, formed an "elections committee" to oversee strategy for Senate District 40 and, more important, for 1994. Maddy and Leonard both are on the three-member panel, but the chairman is Hurtt. Thus, Hurtt will no longer be on the outside, ready to blame Maddy for GOP failures. He'll be on the inside, taking his share of lumps.

— Steve Scott

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Washington PERSPECTIVE

By Larry Liebert

Feinstein's first year

It was one of those moments of drama that sometimes shine through the largely canned and perfunctory debate in the United States Senate. It was also one of those moments when Dianne Feinstein showed the actor's heart that beats within her ever-so-carefully modulated public personality.

THE DEMOCRATIC SENATOR FROM CALIFORNIA was pushing her proposal to ban an array of assault rifles, an amendment to the Senate's big anti-crime bill. Deriding Feinstein and her proposal, Idaho Republican Senator Larry Craig, a leading ally of the National Rifle Association, scoffed, "The gentle-lady from California needs to become a little bit more familiar with firearms and their deadly characteristics."

Craig was messing with the wrong gentle-lady on that score.

"I am quite familiar with firearms," Feinstein retorted, invoking the defining drama of her political career. "I became mayor as a product of assassination. I found my assassinated colleague and put a finger through the bullet hole. I was trained in the shooting of a firearm when I had terrorist attacks with a bomb at my house. Senator, I know something about what firearms can do."

The exchange helped Feinstein win approval, 56-43, for the assault-weapons amendment that she insisted on attaching to the $22.3 billion grab bag of anti-crime initiatives that passed the Senate before it went home for 1993. And Feinstein's legislative accomplishment helped impress Washington insiders. *Newsweek's* half-serious "Conventional Wisdom Watch" gave Feinstein an up arrow and this rating: ``Once considered lite, but bested boys in gun debate. Di Knows Vi(olence.)"

In the light of a new year, Feinstein's victory may prove ephemeral. The final version of the anti-crime bill will be hammered out by a Senate-House conference committee after Congress begins its 1994 session late this month. Despite the growing national revulsion at firearms crimes, the guessing is that the Feinstein amendment will be tossed out because of strong resistance in the House to weapons bans of any kind.

Feinstein may stand a better chance in 1994 in preserving the other legislative coup from her first year in Washington — and in producing a potentially important trophy for her re-election campaign this year. Before long, the full Senate is expected to vote on Feinstein's deft compromise of the long-stalled bill to protect the California desert. It was an environmentalist goal that she inherited from her ethically compromised predecessor, Alan Cranston.

Cranston had the bad luck of pushing the bill against the resistance of Republican presidents and Republican junior senators from his own state. But Cranston steadfastly refused to water down the desert bill's provisions. Feinstein took over the bill with the new advantages of a Democratic president and a Democratic junior senator who was even more of an environmentalist than she. But that was only half the battle. The senator, whose every instinct is toward the political center, dickered with desert users ranging from off-road vehicle enthusiasts to mining companies and the Pentagon. She compromised, taking the edges off a bill that had previously been pristine — but also had been stranded in legislative limbo for seven years.

The turning point came when the Senate Energy and Natural Resources Committee voted, 13-7 on October 5th to approve Feinstein's version of the desert bill, which would protect more than six million acres as wilderness. Colleagues of both parties gushed in enthusiasm for Feinstein's performance. "She is willing to solve the problem rather than trumpet the issue, which is more than her predecessor did," said Senator Robert F. Bennett, a Utah Republican.

The measure is still expected to face resistance on the Senate floor, including from Feinstein's newfound nemesis Larry Craig and other NRA supporters who want to permit hunting in the million-acre Mojave National Park that the bill would create. And the measure will still face opposition in the House, where Congressman Jerry Lewis, the Republican who represents a swath of the desert, is the leading foe of the measure. But the House supported a previous, somewhat more ambitious version of the bill in 1991, giving Feinstein's effort a presumed boost.

All of this makes it seem that Feinstein is off to a great start in the Senate. But there are signs of trouble as well. Feinstein always has tended to lose her energy and her equanimity under long hours and constant pressure, and the Senate has much of both. As previously noted, she tends to take out her frustrations on her staff, which may explain the abnormally high turnover in her Senate office. Her preachiness can also grate on those who are supposed to be her peers, as members of the San Francisco Board of Supervisors sometimes complained over the years — and as some of her Senate colleagues are rumored to gripe these days.

That tendency was demonstrated in one exchange on the Senate floor, where Feinstein supported a Republican amendment to chop funds from the foreign aid appropriations bill in order to shift the money to defense conversion programs. Her stand and her speechifying to promote it were no doubt viewed as disloyalty by senior Democrats on the Appropriations Committee and its Foreign Operations Subcommittee. Feinstein is a freshman on the full committee and on the subcommittee that crafted the bill she joined in attacking.

Feinstein told the Senate that "this is somewhat difficult for me because I am a member" of the subcommittee chaired by Senator Patrick Leahy, a Vermont Democrat. But she blithely went on to condescend to the chairman and his tiny state. "Vermont has a population of 564,000 .... California has a population of 31 million of which 1.3 million people are out of work today," she said in justifying her rebellion.

"I HOPE WE WOULD NOT MAKE DECISIONS HERE only based on the size of the states," said Leahy, whose pride in his state and in his senatorial influence is as easily bruised as that of any of his colleagues. "That is not what the Constitution of this country intended. Every state has two U.S. senators. Every U.S. senator has a responsibility to the whole country. And every U.S. senator has a responsibility to his or her constituents."

It was an exchange that may long be remembered by Leahy — and by Appropriations Committee Chairman Robert Byrd of West Virginia — to the detriment of Feinstein and her future efforts to extract federal funds for California.

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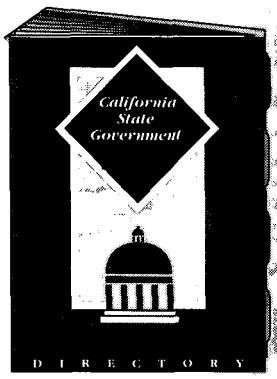

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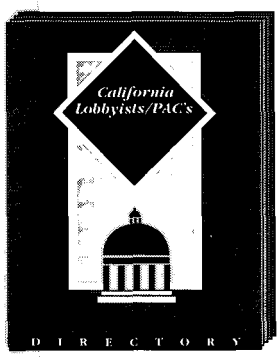

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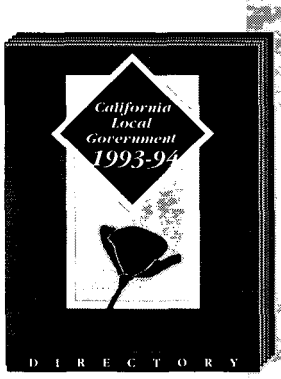

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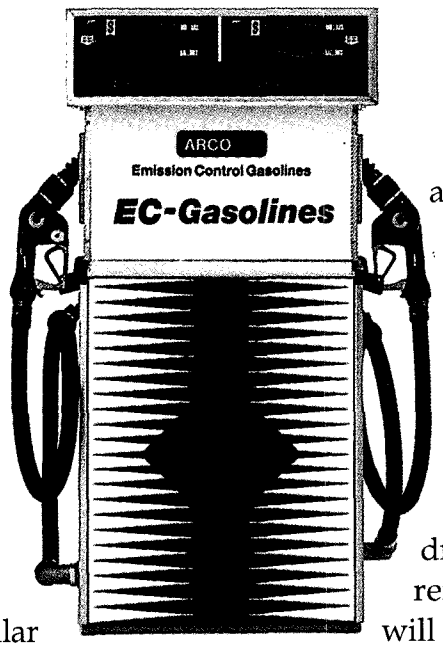

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The terms "clean burning" and "gasoline" hardly seemed compatible. They are today. Measurably so.

In the past 4 years, people driving with ARCO's EC-Regular or EC-Premium gasolines have prevented over 400 million pounds of automotive pollution from reaching our Southern California skies.

ARCO's emission control gasolines have been favorably recognized by the South Coast Air Quality Management District. Emission control gasolines are one reason that the air in Southern California is the cleanest it's been in 5 years.

And ARCO has already developed a clean fuel technology for tomorrow, our advanced emission control formula, EC-X.

The EC-X formula gave California's Air Resources Board an example for its strict reformulated gasoline standards.

When the standards take effect in 1996, all California drivers can use clean burning, reformulated gasolines that will reduce automotive pollution in our state by 3.8 million pounds a day, or over a billion pounds a year, compared to current emissions.

Emission control gasolines will help achieve bluer skies more quickly and more economically than other alternative fuels yet considered. More practically, as well, since we won't have to change the cars we drive or the way we drive them.

ARCO emission control gasolines. The technology for cleaner air today. And even cleaner air tomorrow.

ARCO

CLEAN FUELS FOR THE FUTURE.

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